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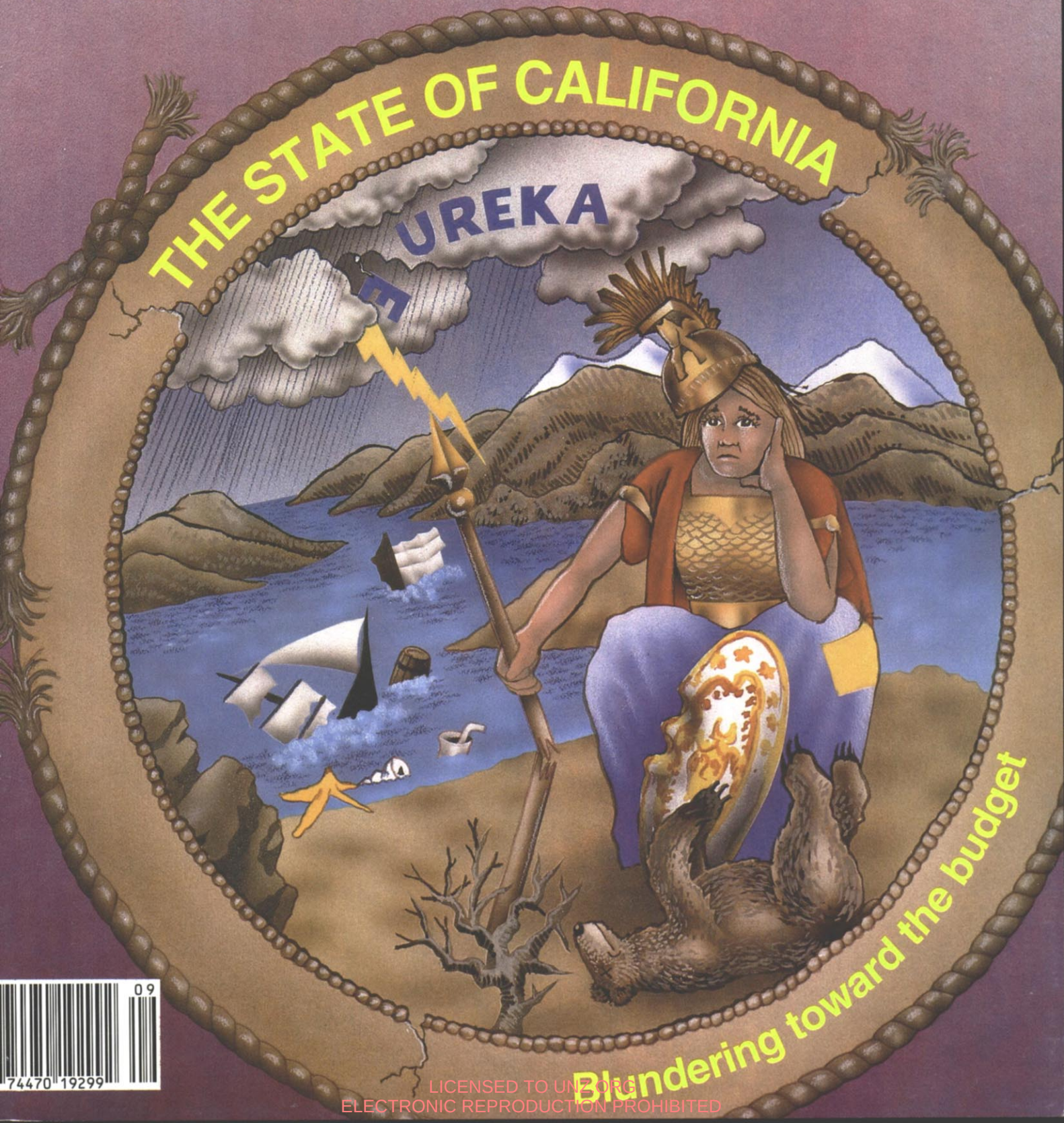

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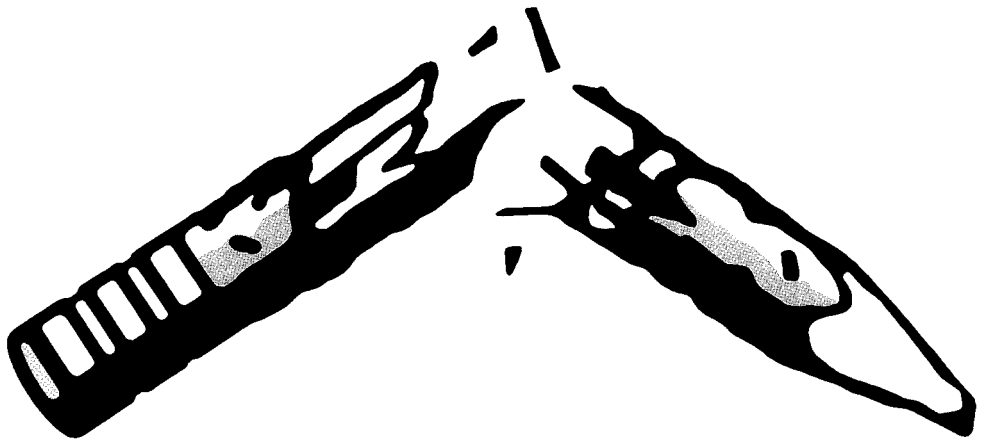

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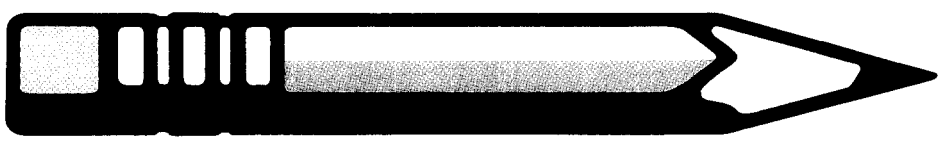

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SEPTEMBER 1992
VOLUME XXIII, NUMBER 9

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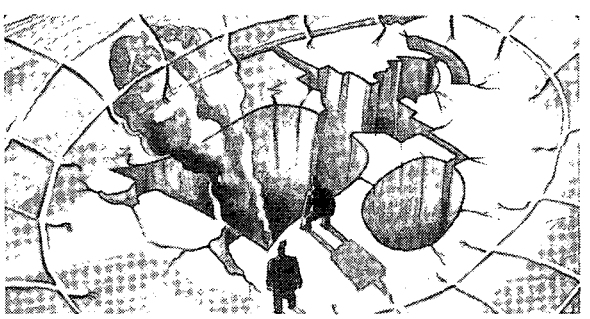

Publisher, Thomas R. Hoeber; **Editor,** Richard Zeiger; **Managing Editor,** A.G. Block; **Associate Editor,** Danielle Starkey; **Circulation,** Sheryl Wood; **Production Coordinator,** Patricia L. Tweten; **Art Staff,** Scarlet Hong, Merijune Tokuno; **Staff,** Theresa Page, Ana Hernandez, Hope Tuttle; **Washington Correspondent,** Larry Liebert; **Interns,** Maaria Khamis, Bénédicte Raybaud, Nick Compin, Leslie Wright, Kari Zimmerman, Linda Daily Paulson.

Advertising Representative: Media Marketing (916) 452-3242

BPA CONSUMER MAGAZINE

CALIFORNIA JOURNAL is a non-partisan, non-ideological analysis of California government and politics established in 1970. The *Journal* is indexed in Public Affairs Information Service, New York Times Information Bank, Sage Urban Studies Abstracts, Urban Affairs Abstracts, and California Periodicals Index. *California Journal* (ISSN00081205) is published monthly. Subscription rates: Libraries and Government Agencies, $49.00; Corporations and Associations, $95.00; Special Individual rate, $32.00. Address all inquiries to California Journal, 1714 Capitol Avenue, Sacramento, California 95814. Telephone (916) 444-2840. Copyright 1992 by Information for Public Affairs, Inc., Second class postage paid at Sacramento. POSTMASTER: Send address changes to CALIFORNIA JOURNAL, 1714 Capitol Avenue, Sacramento, CA 95814.

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UP FRONT

Deja Vu Department: Between 1981 and 1989, Victoria Wright, daughter of Republican Assemblywoman Cathie Wright from Simi Valley, racked up 28 traffic violations — enough violations to have her driver's license yanked. She also racked up a raft of bad publicity for Mother Wright, who tried to head off the suspension by meeting privately with two local judges — John Paventi and Bruce Clark. Cathie Wright even recruited Assembly Speaker Willie Brown, who reportedly telephoned the judges on Victoria's behalf. Clark subsequently wrote off two of the tickets, which led to an investigation by the local district attorney, Michael Bradbury, and to Clark being reprimanded by the Commission on Judicial Performance.

Well, Victoria Wright revved up again recently — and the result was another speeding ticket. Although there is no indication that Cathie Wright has tried to intervene this time around, the 1989 episode continues to haunt the Ventura County judicial system. According to the *Ventura Star-Free Press,* when Victoria Wright came to court for this latest violation, the case was assigned to the Simi Valley Municipal Court, Judge, er, John Paventi presiding.

Oops.

Paventi quickly disqualified himself.

So, the hearing was transferred to the Ventura Municipal Court, Judge, egad, Bruce Clark presiding.

Oops II.

Clark, too, reports the Ventura paper, is likely to recuse himself, bouncing the case to yet a third jurist. Which judge, you ask? Just look for the one with the large bottle of aspirin on his desk.

Meanwhile, as this case of musical courtrooms plays out in the press, it revives memories of a less-than-sterling moment in Wright's legislative career — just as she's gearing up for a November race for the state Senate.

Far be it from us to call attention to some other publication's misspelled word. We've more ~~intellegence~~ intelligence than that, after all. But here's one we couldn't resist, and no, it isn't a joke about Dan Quayle. Seems *Campaign* Magazine boo-booed in a full-page ad placed in its July 1992 issue. The ad was aimed at those who might want to exhibit their wares at the recent GOP National Convention in Houston, and potential exhibitors were urged to call an 800 number to reserve themselves a space in the Astrodome — 1-800-CAMPAIGN. Unfortunately, the magazine printed 1-800-CAMAPGIN, which is the number for Carrier Insurance Services of Miami.

illustration by Steve Greenberg

The thought of the Giants playing under a dome in St. Petersburg, Florida, is sickening enough, but not because San Francisco suddenly will be without baseball. San Francisco got what it deserved, and its current whining and whimpering sounds a little like a spoiled kid who wanted to hug his cat only *after* it ran away. The seeds for the Giants' move were sewn long ago and only partly centered on the deservedly-maligned Candlestick Park. For instance, a decade ago the Giants were involved in a three-way National League pennant race with the Los Angeles Dodgers and Atlanta Braves. With six games left, the Giants trailed Atlanta by one-half game, with the Dodgers in third, one game out. The Giants began that last week by hosting Atlanta for a crucial three-game series. Monday night was half-price night — and a sell out. But on a cool and not unpleasant Tuesday night, fewer than 15,000 fans showed up. Weather or no weather, any other major league ballyard in the country would have been full to the rafters. The fact is, San Franciscans have been notoriously blase about the Giants. The team's support base is regional — Sacramento, San Jose, Santa Clara, Stockton, Redding. Perhaps, if given one more chance, we ought to think about putting a new stadium in Vacaville.

"I dream of a republic that is independent, free and democratic; a republic with economic prosperity yet social justice; a humane republic that serves the individual and therefore hopes that the individual will serve it in turn; a republic of well-rounded people, for without such people, it will be impossible to solve any of our problems, whether they be human, economic, ecological, social or political."

— Vaclav Havel

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ROSTRUM

Ted Lempert

Concerning your article on my 1992 primary (please see "Mr. Clean," *CJ*, August 1992) I was surprised that you printed that account of the 14th Congressional District race. Polls showed me 20 percentage points behind at the beginning of the race, and more than two-thirds of the district was outside of my Assembly district. I was running against one of the best campaigners in the country — Supervisor Anna Eshoo — who had run in the district before. Coming within 4 percentage points was therefore a good showing. Anna is not only a strong candidate but also a good person, and I'm proud to be actively supporting her in the general election. As for the ads in question, we were trying to highlight problems with politics as usual, and we focused on contributions surrounding one of the more controversial projects in recent San Mateo County history — the siting of the BFI landfill. Your article implied that it was a routine land-use decision. We were emphasizing my environmental record (I did not support the BFI project) and my criticisms of contributions coinciding with decisions on individual contributors' projects.

In all three of my campaigns, and in four years in Sacramento, I worked for ethics reforms to restrict the actual and perceived influence of special-interest money on our governmental process. I will continue to fight for good government, whether as a private citizen or in continued public service.

TED LEMPERT
Assemblyman
20th District

70th Assembly District

Your analysis of Gil Ferguson's primary victory (please see *CJ*, July 1992) is ludicrous. Only in your pages can a 14-point margin be considered "stumbling to victory;" anywhere else, it's called a "landslide." Your attribution of a victory that was apparently narrower than what you had expected to Assemblyman Ferguson's "lackluster record as a legislator" betrays your bias and the superficiality of your reporting. Surely, a record characterized by saving taxpayers over $4 billion; the introduction of legislation to castrate rapists, prohibit outside groups from giving condoms to children at school, require unions to inform workers of their rights not to finance politicking with which they disagree, and allow parents to choose which schools will educate their children, and the stalwart defense of workers from the enviro-Nazis' job-killing regulation is not one that most reasonable men would describe as "lackluster."

Had you been more concerned with offering an accurate analysis, you would have mentioned that he was not the incumbent in 52 percent of the district, that his opponent received $100,000 in late contributions from a union-Democrat front group and that those contribtions funded eight last-minute hit pieces, and that an Orange County Republican Party ethics hearing found that his opponent's hit pieces deliberately misled voters about Assemblyman Ferguson's record — just as you have continued to do.

LESLIE CARBONE
Chief-of-staff
Assemblyman Gil Ferguson

76th Assembly District

There were misstatements of fact in your analysis about the 76th Assembly District primary (please see *CJ*, July 1992). First, I was characterized as a "fundamentalist Christian." I am not a fundamentalist — I am a practicing Catholic. Second, my support was characterized as coming from the "hard right ... including anti-tax groups." The bulk of my support came from hard-working business people, not gun owners or pro-life groups. Also, anti-tax groups are comprised of voters from across the philosophical spectrum, not solely right-wingers. Third, it was said that my opponent, Ronnie Delaney, couldn't overcome my "extensive war chest." In fact, she outspent us $199,000 to $103,000. We won because we profiled better in the district and had a better ground operation to get out our message. Fourth, you said my November opponent, Democrat Mike Gotch, was "somewhat conservative." In San Diego, he's considered somewhat liberal. You also said Gotch would have an easier time defeating a candidate from the far right. In San Diego, I am considered conservative while consistent with the Republican platform. I have never participated in the activities of a [far-right] group, nor am I a member of any.

DICK DALEKE
76th Assembly District candidate
San Diego

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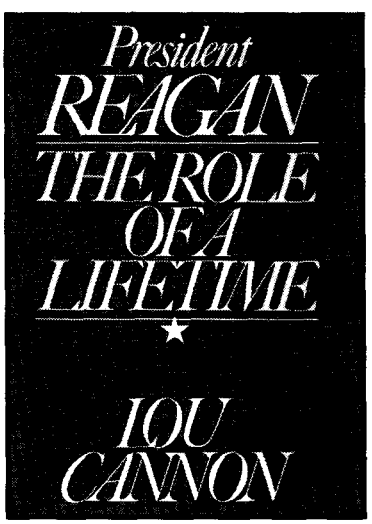

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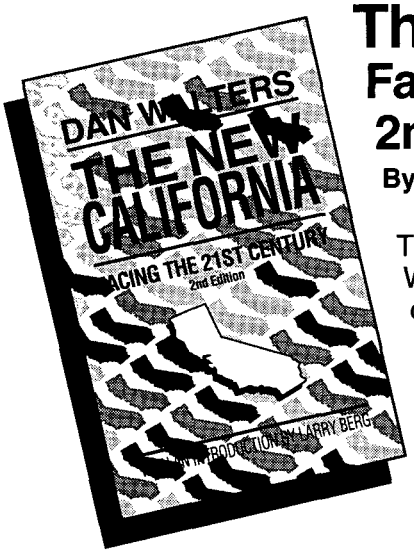

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Blundering toward a budget

By Linda Dailey Paulson and Richard Zeiger

Sometimes it's easy to forget that government is about power.

Government decides what we can do, and what we cannot. It decides who will get rich, and who won't; who will be cared for in old age, and who among our young will have a decent start in life.

In the best of times, government does this imperfectly. In good times a democracy can spread the nation's bounty wide enough so that most of us do a little better. But when times are tough, we fight among ourselves to protect what we have. The stakes are high and those who control government's power levers will do what they can to protect their friends, and their own position as arbiters of who wins and who loses. We think our institutions are strong enough to survive such tests, but when the situation deteriorates as badly as it has today, the entire framework of government can appear fragile indeed.

And times are tough in California, the toughest since the Great Depression. Historically, Californians have been immune to the worst effects of the economic dips that hit the rest of the nation since World War II. That immunity produced a kind of false confidence in our ability to ride out any storm. At the same time, and perhaps buoyed by that confidence, Californians have hobbled their government, dividing its sources of power so that, by design, it is slow to act. In a constantly expanding economy, it's been enough to make incremental changes and adjustments.

But this year, the state is embroiled in the worst budget crisis in its history. Tax revenues have plummeted while demands for services have skyrocketed. In the past, we called it a "recession" when the number of new jobs created in the state dipped below typical levels. This year, there has been a real loss of jobs, some say in the hundreds of thousands. As a result, the state in the last fiscal year took in less money than it spent. This year it will receive even less. Together, the state will be some $6 billion shy of the revenue that came into its coffers last year. If the state wanted to keep providing the same level of services this year as last year, it would need more than $11 billion in additional money (less money coming in, even more services going out).

Bridging that gap has exposed real differences between Republicans and Democrats on how to make some very painful choices. Not everyone can win this time around, and the fight to avoid being a big loser is fierce. As a result, areas of agreement have been few, and because of the resulting paralysis, no budget was offered for passage by the June 15th deadline for sending one to the governor. The fiscal year ended June 30th without a new budget in place. Unlike previous years, when the state had no budget but did have money in the bank, the state actually ran out of money this time, and Controller Gray Davis began issuing "registered warrants" — IOUs that the bearer would be able to cash in at some unspecified time in the future (please see sidebar, page 426). Banks honored these for about a month, but then the biggest institutions refused, saying it was depleting their own reserves to keep honoring the warrants like cash.

Linda Dailey Paulson is a California Journal *intern. Richard Zeiger is editor of the* Journal

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Democrats initially proposed some increases in taxes, including on those with the highest incomes. They also proposed closing some tax loopholes, like mortgage interest on second homes and deductions for business lunches. They even embraced a GOP proposal to do away with the renters' credit. But Republicans, led by Governor Pete Wilson, have been steadfast against more taxes, and Wilson added to the list a refusal to "roll over" any of the state's deficit into the next fiscal year — a notion that might make sense, if everyone were certain the economy would pick up next year. Democrats quickly capitulated on both those issues, prompting Democrat Phil Isenberg, a Sacramento assemblyman, to complain to Republicans during a floor debate: "Why don't you just declare victory and go home?"

From A-OK to IOU

On July 1st, for the first time since the Great Depression, the State of California issued registered warrants to pay its bills. Commonly known as IOUs, the registered warrants, in the absence of a state budget and without cash in the bank, are the only way the state can meet its debts. Although the state has gone past the deadline before without a budget, in the past there was always money in the bank. This time there is none.

The law provides the authority to issue these warrants when the state is out of money. The registered warrants are so named because when issued, they are registered with the treasurer's office to have accurate records of where the money needs to be allocated when it becomes available. When the money does become available, the state, by law, must place ads in all major newspapers listing the warrant identification numbers so those warrants may be redeemed.

Within the last 10 years, the state has gone past the deadline without a budget five times. If a budget had been passed, even without cash in the bank, the state could engage in its normal practice of short-term borrowing to meet its obligations. Known as "tax anticipation notes," this borrowing is a common practice allowing the state to even out its cash receipts.

The state controller's office predicts that within two or three days of the passage of the budget, there will be a recall on the IOUs and they will be paid. Many banks have continued to honor IOUs not only to cooperate with the state but because of the interest these warrants accrue. Registered warrants earn 5 percent annual interest versus the 3 to 3.5 percent interest money markets currently earn. The interest rate is so appealing to some counties that they've considered holding on to the IOUs as an investment once the budget is finally passed, and Los Angeles County has offered to redeem the warrants held by other government agencies as a form of investment.

— *Kari Zimmerman*

Rather than moving the process forward, however, the fact that the two sides agreed on taxes and roll overs merely shifted the disputes to another arena, and the budget negotiations became a "zero-sum" game. In other words, every time one slice of the budget — say, education — was enhanced, some other slice had to be pared back by an equal amount.

Thus, even with those two philosophical issues off the table, the sides remained badly split over where to make cuts. Wilson wanted to slash deeply into education and to protect cities from severe cuts. He also wanted to cut county subsidies in exchange for lifting "mandates" — requirements that counties provide health and welfare payments to the poor. Democrats held out for smaller education cuts and wanted cities to take a share of the reductions. Even with these differences, it appeared that there was room for compromise, yet talks stalled, and a final settlement remained tantalizing out of reach well into August.

Rhetoric aside, California state government really provides three basic services: education, health care and prisons. Together, these three areas of the budget account for more than 80 percent of all state spending. And it is the increased demand for these services that has made the political choices so difficult this year. Children are coming into classrooms at a faster rate than the general population is growing; the population is aging and requires more, and more-expensive, health care; and the drumbeat to put still more criminals behind bars is unabated. Opinion polls consistently show we want more of each of these programs. Unfortunately, those same polls also show that we don't want to pay more taxes. For the elected official, that creates a political conundrum to which there is no good solution.

Contrary to the statements of those on both extremes, there genuinely is no simple, or even palatable, solution to the budget crisis. Taxes probably can't be increased enough, or equitably enough, to fill the entire gap, and the deep cuts necessary to balance the budget will do true and lasting damage to some our institutions.

When Governor Pete Wilson and the Legislature were faced with a similar, although smaller, bind last fiscal year (1991-92), they settled on a middle course. Taxes were increased, cuts were made, and a number of tricky issues were finessed in the hopes that the economy would improve. But the economy didn't cooperate. In fact, it continued to slide, and Wilson and the legislators took a pasting for their actions.

The results were devastating politically for Wilson.

The former U.S. senator, assemblyman and mayor of San Diego, came to the governor's office with the promise to get the state moving again after eight years of malaise under fellow Republican George Deukmejian. He had an ambitious agenda of programs that he said would prepare the state and its citizens for the next century. But bad economic times not only put those notions on hold, they forced Wilson to retrench.

Last year, faced with an Assembly Republican caucus that, to a substantial degree, was opposed to any new taxes at all, Wilson was forced to appeal to Democrats for a budget compromise, a fact he says caused him to give away more than he wanted. Had he had unified Republican support, Wilson insisted, taxes last year would have been smaller and cuts deeper. Ultimately, Wilson ended up with few friends in the Legislature. The more conservative element in his own party savaged him over the tax increases, while all those once-

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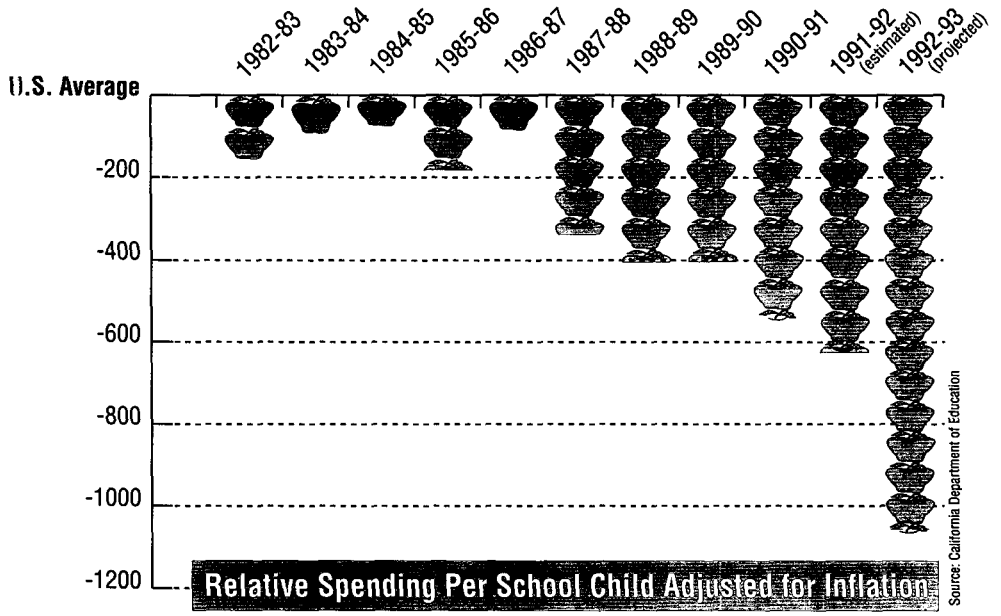

friendly Democrats turned on him early this year when Wilson refused to approve their plans for a new legislative and congressional reapportionment.

Meanwhile, the economy continued to sour, the Legislature and governor reached gridlock over the budget — and Pete Wilson's approval rating in the polls, which had been declining since last year's budget crisis, sank to the lowest level of any governor in the state's history.

During the course of the past year, Wilson no doubt concluded that there was no way the state would ever be able to raise enough money to meet all the commitments it had made. The number of elderly, the number of children and the number of prisoners — all of whom were demanding more services — was rising too fast.

The answer, he decided, was to reduce the base level of service provided by the state to one that was low enough to give tax revenues a fighting chance to keep up. But cuts of the depth Wilson envisioned aren't very popular. Even Republican lawmakers have balked over cuts in some areas, notably education.

Tactically, Wilson first attempted to put Democrats on the defensive by calling for a 25 percent cut in welfare grants. He increased the pressure on them by advancing a ballot measure with similar provisions (please see Proposition 165 in "Ballot Book" in this issue).

Making large-scale welfare cuts may seem like good Republican public relations, but in truth, they would do little to solve the budget crisis. Welfare spending is only about 6 percent of the general fund, and savings from the cuts would be some $500 million. This is a large amount of money, but small in the overall budget context. By demanding welfare cuts he knew Democrats would resist, however, Wilson hoped to shift the blame for cuts in other programs from himself and onto the opposition party. It was this same logic that caused him to delay making public detailed plans outlining just where he would cut the budget. Tradition calls for the governor to offer a revised budget in mid-May, when updated financial data is available. Wilson never did this. Indeed, although he consistently rejected budget proposals by Democrats, and even a compromise proposed by Isenberg and GOP state Senator Frank Hill, he didn't present the Legislature with a detailed budget of his own until mid-August.

And while Wilson has criticized legislative leaders for "playing politics" with the budget — an accusation that was part of his rationale for withholding budget proposals of his own — Wilson himself has been erratic in the proposals he has offered for consideration. At various times he has put forth a half-dozen or so plans, with some $1 billion in cuts, had them accepted by Democrats, then pulled them back, saying he no longer approved. In one small example, he at one time proposed shifting some $75 million from government agencies that run the state's ports, then reversed himself after running into opposition from business groups and port operators.

There is little doubt that Wilson believes, from a policy standpoint, that making the deep program cuts he advocates — up to $2.3 billion from education, for example — offers the state its only prudent choice. These cuts must not only be deep but permanent, thus reducing the "base" upon which next year's appropriations are determined. The Wilson camp argues that spending reductions like this are the only way the state can avoid similar budget crises in future years.

And putting budget fights behind him, it so happens, also solves a number of knotty political problems for the governor as well. First, it pacifies conservatives in his own party, allowing Wilson to rally with them under the "no more taxes" banner. Second, it keeps legislative Republicans unified behind the governor. Through mid-August they had stood with him, despite grumping that he had pushed Democrats far enough and it was time to settle. And finally, although hardly last in importance, Wilson believes that if he can cut back government far enough, deep enough, this year, he can avoid turmoil in future years. Some programs may have to be severely damaged, but with a little luck, when he is running for re-election in 1994, Wilson will be able to campaign as, in the words of one of his advisors, the "captain who steered the ship of state through stormy times."

Who knows, if he can pull it off, maybe hopes for a presidential campaign in 1996 are still possible.

"I think you clearly see him digging in his heels in trying to reshape government," said Frank Hill, the Republican senator responsible for co-crafting an independent budget

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proposal on the floor (please see following story). "He believes he is winning the PR battle out there. We are all losing collectively. The Legislature looks like damn fool buffoons. What are we holding out for? What are we fighting about?"

But Democrats are unlikely to help Wilson with this approach, since the brunt of the budget cuts come in programs favored by their constituents.

"What's there to settle?" queries John Vasconcellos, an Assembly Democrat and co-chairman of the Senate-Assembly budget conference committee. He says Wilson has been an obstructionist in the budget process. "Last year he was a problem solver, a convener, a collaborator and governor. This year he's a bomb thrower." Wilson is "waging war" rather than solving problems.

The result has been stalemate; a position that hurt all elected officials, but probably put more pressure on Democrats. All elected officials look stupid when they can't do what they are supposed to do, but Wilson has the relative luxury of being two years away from an election campaign; legislators are running for office now, and many of them in substantially

The resultant budget impasse was so severe that Wilson and legislative leaders (Assembly Speaker Willie Brown, Assembly Minority Leader Bill Jones, Senate President pro Tempore David Roberti and Senate Minority Leader Ken Maddy), known collectively as the "Big Five," didn't even bother to meet for a more than a month after the budget deadline while they jockeyed in public to establish the rightness of their positions.

"It is painful to reduce education spending by even one dollar," said Speaker Brown in an August 8th radio address. "It is painful to cut support to local governments. It is painful to cut hundreds of millions of dollars from programs that assist the unfortunate of our society.

"It will not be possible, two years into the deepest recession since before World War II, to craft a budget solution that is painless. I believe that Governor Wilson knows this, and I trust that he will allow his supporters in the Assembly to vote their consciences in the spirit of bipartisan cooperation that must prevail during emergencies."

According to Republican Senator Marian Bergeson of Newport Beach, everyone in every sector of government is going to have to take their cuts. "The question is," she said, "how do you spread the pain around?"

"It's not as if you have any free candy to give away. Therefore, all the choices look unattractive, politically and governmentally," added Isenberg.

The lack of progress also spawned a boxcar full of conspiracy theories about why no settlement could be reached. State Senator Barry Keene, the Senate's majority leader, theorized that "the governor has something to gain from the deadlock the speaker doesn't." Many speculated Wilson would hold out until November to insure passage of his welfare initiative and to influence legislative elections enough to "shuffle the deck." But there are those, primarily Republicans, who insist that a conspiracy theory doesn't wash. Regardless, Keene says the governor is less than motivated to solve the budget crisis and will no doubt continue to be a hard bargainer.

"I don't think he has any motives he's willing to talk

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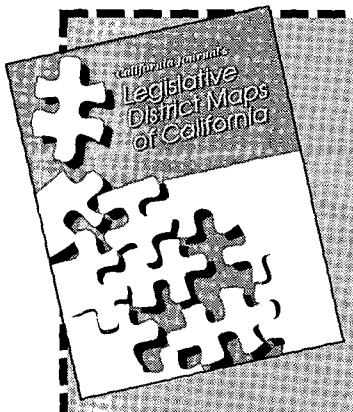

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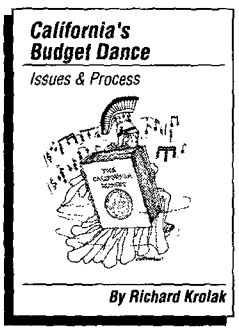

California's Budget Dance: Issues and Process
By Richard Krolak

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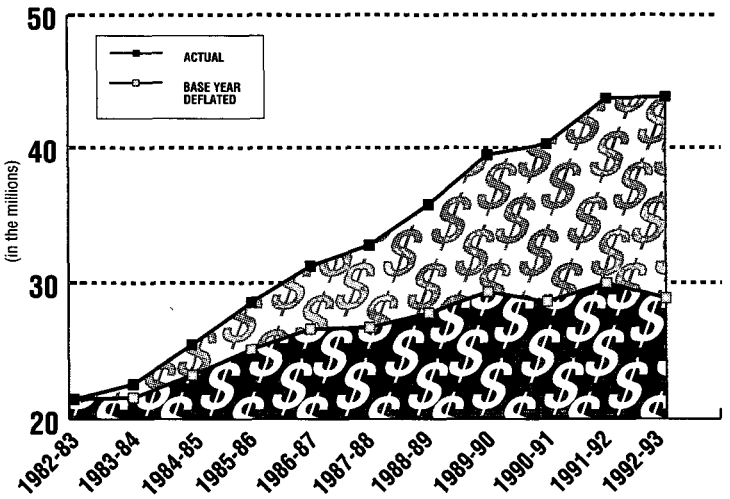
about," says Vasconcellos. That in itself makes Wilson "suspect" he claims.

But Republicans insist Wilson has always wanted a resolution as soon as possible. "I think Pete Wilson wants a budget as much as anyone else," Assemblywoman Bev Hansen offered during the heat of the stalemate. "He's very reluctant, very cautious because he was burned last year."

The Assembly Democrats left "a trail of broken commitments," Republicans say, in the form of trailer bills they promised to pass immediately after the governor signed last year's budget. Trailer bills are legislation that authorize spending contained in the budget itself. That legislation was slow in moving through both houses, Republicans claim, or was never passed by the members. During heated debate on Senator Hill's alternative budget, Assembly Republicans continually referred to that wholesale betrayal of trust. They want legislation, the meat behind the budget, first; then numbers.

Deflated Expenditure Growth General Fund



Republicans also attribute Wilson's Jekyll-and-Hyde turnabout to the recession. "I think the circumstances have changed. We thought the recession would be short-lived. That wasn't the case," said Senator Bill Leonard. "The governor is responding appropriately to that."

But as the debate draws on and on, less is accomplished. The debt grows from interest due on the IOUs and late payments; the state's once-exemplary bond rating, crucial to funding future growth, sinks to one on a par with West Virginia; businesses talk about leaving the state to avoid further chaos and costs.

Many legislators blame leadership for the stalemate, saying it lacks the chutzpa needed to move the floundering debate out of the doldrums. "We've been embarrassingly close for a month now. The Big Five as an organ of government has collapsed." said Hill. "Every time they meet, the budget gap grows every day. They're taking things off the table. This is no time for these guys to sit down and look at what the satellite wagering revenue is. Everybody knows what the parameter of the debate is about."

"Why the Big Five do not wish to settle the issue is a mystery," said Isenberg.

Cathie Wright, who represents Assembly Republicans on the budget conference committee, agrees. "I'd rather sit in the conference committee and scream and holler," she said. "Maybe if we'd scream and holler we'd come to some compromise acceptable to the leadership."

Hill, Wright's Senate counterpart on the conference committee, contends that "the conference committee, this year, has done what the leadership failed to do."

But others disagree with Hill's assessment of the conference committee. Waiting for the "Big Five" to act on the major issues, the committee was reduced to squabbling over minor matters. Difficulties were fueled by the fact that Wright, in the view of many, had received no coherent marching orders from her caucus, other than to follow Wilson's erratic lead, and that she lacked the leadership skills necessary to move either conference Democrats or her own party members to her own views.

As a result, the conference committee — which normally plays a key role in fashioning a budget — dissolved into endless discussion and bitter squabbling between Vasconcellos and Wright.

Not that debate outside the committee was all that civil either. The deadlock has sent tempers flaring and fingers wagging in all directions. Those upon whom blame has been heaped include Wilson and Brown, singularly and collectively; the Assembly Democrats; the Assembly Republicans; and even Gray Davis, state controller.

"I think you can throw almost anything into the formula.

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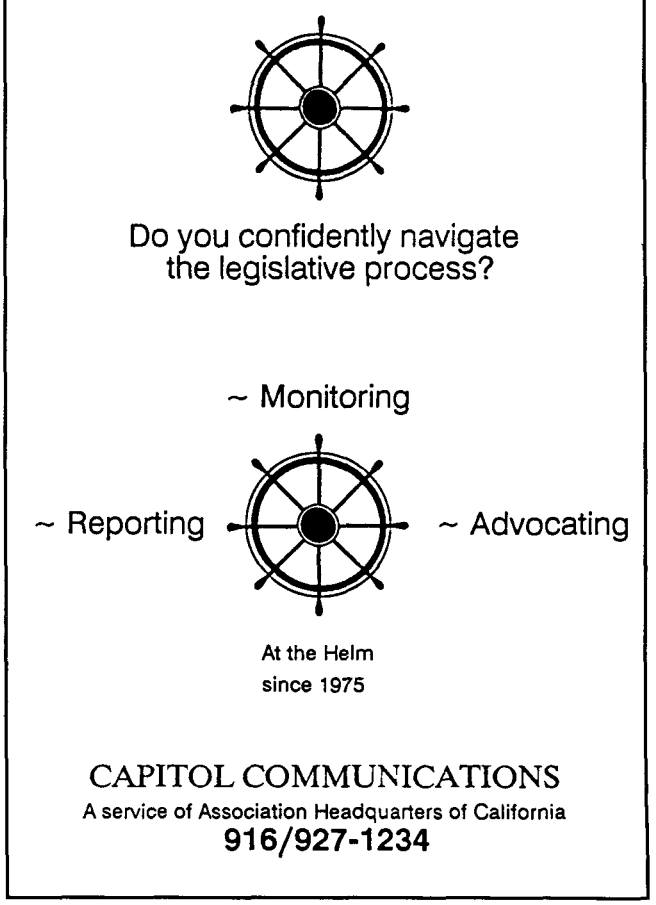

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It's a power struggle. It's a partisan power struggle," said Bergeson. "If it had been left to the Senate, it would have been solved by now."

For the most part, that power struggle has been a staring contest between Wilson and Brown. "Some of the dispute is ego-driven," says Keene, "the peculiar ego needs of two of them."

The Assembly Democrats are taken to task for being unwilling to prune government programs; Republicans are criticized for protecting the rich. Republicans in the Assembly are "bumps on a log," says Vasconcellos. Their "Calvinist view of life" and steadfast refusal to see a need for change in the state, he says, makes reasoning with them even more difficult. "That world is gone and they're still holding on like dinosaurs."

Even those who have tried to ease the burden placed on Joe Citizen by lack of a state budget have come in for criticism. GOP Senator William Leonard of Redlands, for example, believes some of the blame should fall on Controller Gray Davis. If he were to stop issuing IOUs and urge state workers to strike or stay home, as the federal government did during a budget impasse in the Reagan era, then Leonard predicts the problem would cause the Legislature to work on the problems "with greater intensity."

Indeed, when a federal appeals court ruled that in the absence of a budget the state could no longer make MediCal payments, even with IOUs, activity to settle increased.

There are those too who are distancing themselves from in- fighting. Legislators like Bev Hansen. "We've taken so much time to blame each other," valuable time that she says could have been used to craft some sort of budget compromise rather than to bicker. "It's like a family of small children arguing. You're not going to get a resolution until they stop yelling."

The root causes of the on-going budget controversy are myriad. None can be easily discounted since there is more than one reason for state government's failure. Among the popular theories are the flat national and state economies; the gridlock created by a Republican executive and a Democratic majority in the Legislature; changing dynamics such as rapid ethnic population increases; and a shift from the male WASP *weltanschauung* to one that embraces various backgrounds and lifestyles.

Vasconcellos contends the crux of the debate, although seldom articulated on the Assembly floor, is one of clashing value systems and cultural heritages. "It's a struggle for the soul of our state," he argues. With such strident differences, "I don't see any way to settle it," he says. "Their vision of California is contrary to mine."

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photo by Rich Pedroncelli

Frank Hill:

A wheeler-dealer comes of age

by A.G. Block

This, then, is how a folk hero was made:

Two powerful antagonists, locked in mortal dispute, held an entire community hostage. The power of each side to destroy anyone who interfered was such that no one dared venture into the arena, yet the community was paralyzed until the dispute was resolved.

Came, then, a man of ambition, a man of action, who saw in this dispute a chance to alter his destiny. At great risk, but fortified by a chance for great reward, he rode into the arena.

For a time last month, the political hurricane known as the 1992-93 budget centered on a modest office on the fourth floor of the state Capitol. Yet a visitor to that office was struck by the calm, the almost otherworldly composure. Where one might expect to find crumpled scraps of paper, empty coffee cups, broken pencils and a wall of documents, one saw only a polished walnut desk free of clutter. In fact, it was free of anything save an antique wooden box, a cast iron dog and a bottle of Old Senator bourbon. Not a paper in sight.

Not even a calculator.

The occupant of that office, Republican state Senator Frank Hill of Whittier, relaxed on a sofa, his black hair slicked back, his youthful, ruddy face showing just a trace of weariness — and this on the morning after a compromise budget plan of his own making had been repudiated by, of all people, Republicans in both the Assembly and Senate. The Hill proposal, crafted with Democratic Assemblyman Phil Isenberg of Sacramento, was designed to break a budget deadlock between "The Big Five" — Governor Pete Wilson and four legislative leaders — that already had dragged on more than 40 days past the July 1st deadline (see previous story). But in floor votes in both houses, with Democrats voting "aye" nearly *en masse*, Hill had been abandoned by Republicans; only one, Assemblywoman Bev Hansen of Santa Rosa, had stepped forward to support him. Not only that, the governor, also a Republican, vowed to veto Hill's budget should it land on his desk and threatened to draw and quarter any Republican who joined Hill.

On the surface, Frank Hill seemed an unlikely candidate to take such a calculated risk. "Hill in the past hasn't been one who marched off on his own," said Tom Hannigan, the Assembly majority leader. "But he did it this year, and he stuck with it, which surprised me."

Little known outside the Capitol and his suburban Los Angeles County district, Hill came to the Senate from the Assembly in 1990 after winning a special election to replace Republican Bill Campbell. Conservative and energetic, he was regarded throughout his decade-long legislative career as an ambitious wheeler-dealer. He was, after all, one of four lawmakers whose Capitol offices were raided by the FBI in August 1988 in connection with the FBI's now-infamous "Shrimpscam" sting. Capitol critics also considered him something of a Republican attack dog who ran savage campaigns against his enemies.

But another portrait of Hill has emerged as he nudged into the budget spotlight: the courageous rebel who took on his own governor and the leader of his own party in the Senate.

Ambitious?

You bet.

Hill doesn't deny that he's considering statewide office, and word around the Capitol is that he's casting his eye toward lieutenant governor in 1994. Hill himself adds controller or treasurer.

A wheeler-dealer?

Sometimes. The FBI raided Hill's office because he was a key member of a then-GOP Assembly leadership that had become all too brash and aggressive at seeking campaign swag, and because Hill himself had accepted a hefty contribution from the FBI's fake businessmen. Even now, some members see a cynical, self-serving aspect to Hill's involvement in the budget deadlock; sure, his recent activity may have helped move "The Big Five" forward on the budget, critics say, but his real motive was to move Frank Hill's career forward.

More often than not, however, the current term applied to Frank Hill is "problem-solver." But then, compliments for the 38-year-old lawmaker flow free and easy these days.

"We ought to reward Frank Hill," Speaker Willie Brown Jr. said during the Assembly floor debate on Hill's proposal. "It took a lot of courage for a Republican to tell his own governor that he's had enough time."

"Frank Hill has been stellar, if not heroic," said Assemblyman John Vasconcellos, chairman of the Assembly Ways and Means Committee and co-chairman of the Senate-Assembly conference committee on the budget. Hill sits on the committee.

"Frank Hill is a real contributor to the process," said Senator Barry Keene of Benicia, majority leader of the upper house, who characterized Hill as bright, imaginative and pragmatic. "He's not for treading water; he wants to move. The Legislature needs that kind of vitality from people willing to take risks."

"A straight shooter," said Assemblywoman Delaine Eastin of Fremont, who chairs the Assembly Education Committee. "He takes the time to listen to you and your issue. He's one of the people who helps get things done."

Said Gary Hart of Santa Barbara, Eastin's counterpart in the Senate and a member of the budget conference committee, "He's a street guy who doesn't posture and pontificate. He's one of the few people over there [among Republicans] willing to take a risk."

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"Thank God he's got us doing something," Montebello Senator Charles Calderon said of Hill.

"I have the highest admiration for the way Frank Hill pushed and pushed to get this on the floor," said Senator Dan McCorquodale of San Jose. "If I can vote for [the Hill proposal] it's because Senator Hill has shown us the right thing to do."

What do these legislators — and others who lauded Hill during floor debates — have in common? They all are Democrats. A few Republicans, notably Hansen and Assemblymen Pat Nolan and Ross Johnson, also tossed bouquets toward Hill. But Republican leaders tried to use their clout to moosh him. Governor Wilson, for one, was said to be furious, and he applied considerable pressure on Republican legislators not to vote for Hill's plan. And Ken Maddy, Senate Republican boss and a "Big Five" negotiator, was annoyed with what many saw as an end run around his leadership, and around Wilson. Maddy even left the Senate floor when, during a fiery speech in support of his plan, Hill slammed the "Big Five" for playing "political chicken" while people were being "annihilated."

"He likes to be in the middle of things," Maddy said of Hill several days before the debate. "Hill has always been ambitious. He has ambitions for statewide office, and that's no different than anyone with ambitions. I've done it myself. But there is a subtlety. It can't come out of your pores constantly. It can't show too much. I've told Hill, `You don't want [ambition] to show.'"

Maddy generally criticized members who "cheap-shot" the process, although he denied that Hill's proposal necessarily fell into that category.

But during his own floor speech, Maddy characterized Hill's budget as "dishonest" because to be balanced, it depended on the passage of trailer bills that even Hill would not support. "Voting for this is just a gesture," Maddy told the Senate.

Yet for all Maddy's and Wilson's grumping, Frank Hill is one of the few winners in what independent Senator Lucy Killea of San Diego called "a crisis of governance" regarding the state budget. He has been seen as someone unwilling to accept a stagnant status quo, and his actions have been like a sharp stick in the back of a reluctant governor. Wilson and legislative leaders hadn't met for a month when Hill and Isenberg first presented their plan. Within days, negotiating sessions began anew. And when those sessions bogged down amid rancor and discord, Hill — this time minus Isenberg — revived his efforts, lobbying member after member, Republican and Democrat alike, in order to bring his budget to both floors. Whatever his personal motives, Frank Hill has emerged as a man of action willing to exert leadership by taking risks. And that has made him something of a folk hero inside the Capitol itself.

All this attention has considerably brightened the future for a guy who first was struck by the political bug as a high school student campaigning for a local assemblyman. Hill earned political science degrees from Mt. San Antonio College in Walnut, and from UCLA. He earned a Master's in public administration from Pepperdine. In 1976 he landed his first political job as Washington, D.C., office manager for former Republican U.S. Senator S.I. Hayakawa. He stayed with Hayakawa until 1978 when he became field director for then-Republican Congressman Wayne Grisham. He held that job until elected to the Assembly for the first time in 1982. Married and the father of three children, he has been in the Legislature ever since.

Hill also has been dabbling with budgets ever since '82, when he was named one of two freshman on the Assembly Ways and Means Committee. (The other was current state Controller Gray Davis.) When he came to the Senate in 1990, Maddy named him vice-chairman of the Senate Budget Committee. But this year, like most of his colleagues, Hill was relegated to the sidelines as Governor Wilson and legislative leaders took budget deliberations behind closed doors. He stayed on the sidelines until those negotiations had reached meltdown. By then, a small, bi-partisan group of lawmakers had met informally to talk about the problem; among them, Eastin, Isenberg, Nolan and Hansen. Hill joined the group, and he and Isenberg soon began to talk more seriously about crafting an alternative proposal — line by line, inch by inch, dollar by dollar. It was a massive undertaking. It also was a high-risk road for Hill, especially, for it put him on a collision course with the governor.

Hill said he had little choice but to lock horns with Wilson because he felt that the governor's insistence on a steep cut in education funding was a potential disaster for Republicans. Most voters, said Hill, disagreed with the governor. According to Hill, the public-relations battle centered around the premise that the governor — and, by default, GOP legislators — wanted to slash money for schools while Democrats wanted to save them. "When I heard the argument for months and months and months that we [Republicans] were winning the PR battle on that point," said Hill, "I just thought that was ludicrous."

Thus, Hill and Isenberg made education a priority at the expense of other programs. And Hill subsequently has been successful in framing the difference between their proposal and Wilson's in a very negative light for the governor. Wilson, Hill insists, wants to preserve the bureaucracy at the expense of schools; Hill wants to give schools more money and pay for it with permanent cuts in state bureaucracy.

(The current budget fight isn't the first time Hill has bucked a Republican governor over education funding. In 1983, in only his second year in the Legislature, he took on George Deukmejian over second-year funding for the landmark education-reform bill, SB 813. Hill says his efforts helped persuade Deukmejian to pony up.)

Hill has chalked up several impressive victories in this budget year. According to Capitol observers, his tenacity and persuasiveness — in contrast with the governor's perceived intransigence — convinced Democrats to bring his budget to the floor for votes. And when Wilson finally put forward a budget four days after the Legislature had deliberated Hill's plan, the governor was touting his level of education funding as almost that of Hill's. Some in the Capitol credit Hill with forcing the governor to act at all because he gave lawmakers an alternative that even conservative Assembly Republicans found attractive. Wilson had convinced them to hold off voting for Hill's budget (nine abstained), but the governor was told point blank after the vote that week that revolt was in the air.

And when Assembly Speaker Willie Brown announced that he would bring the governor's proposal to the floor, he also announced his intention to bring Hill's once-defeated plan up for reconsideration — so lawmakers could compare the two and, presumably, accept either one.

It must have been a sublime moment for Frank Hill.

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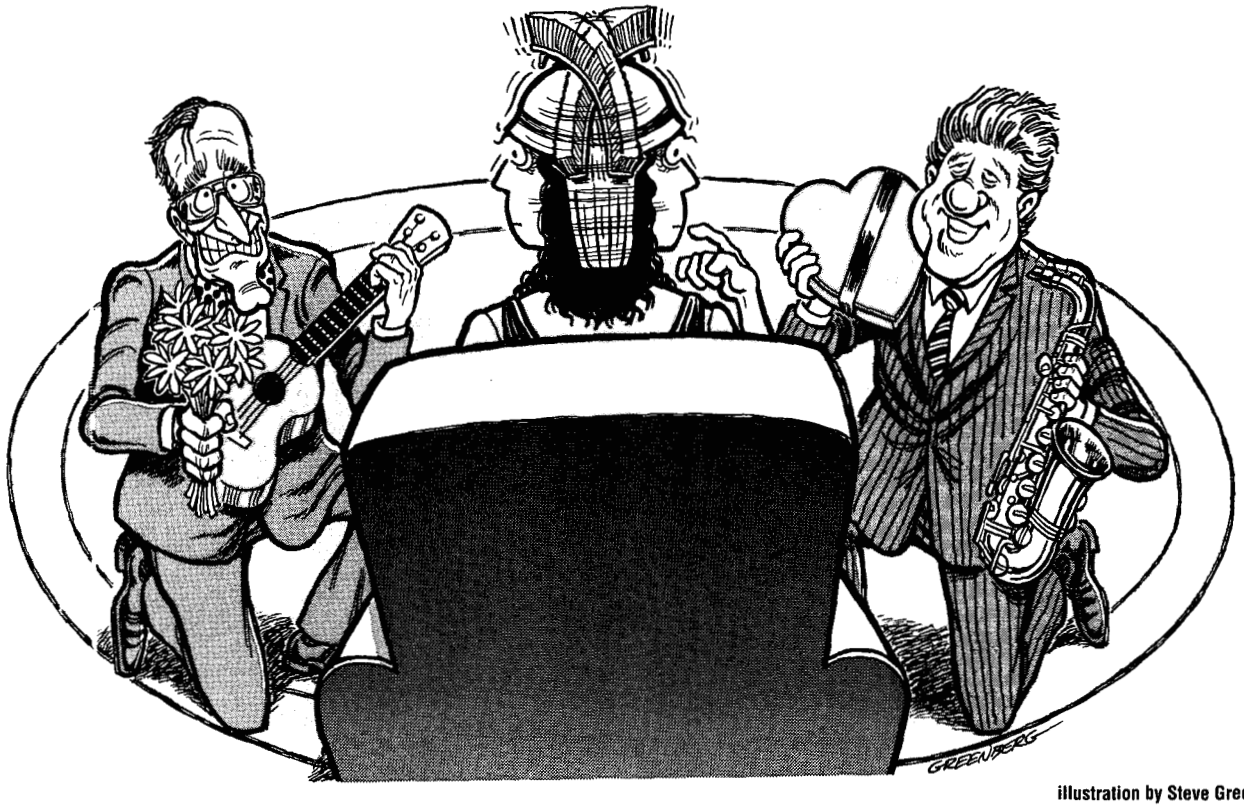

illustration by Steve Greenberg

Both parties lust after those golden electoral votes

By James Carroll

Maybe the Democrats don't really need a strategy in California. Based on the last California Poll, Democratic presidential nominee Bill Clinton is poised to carry the state big.

Ah, but those are polls.

The mantra of the Arkansas governor's campaign is: "Remember '88". You remember 1988. Democrat Michael Dukakis was up nationally by 17 points after the Democratic National Convention in Atlanta. Unfortunately, that was the former Massachusetts governor's high-water mark; he peaked four months too early.

It would also do well for Clinton to remember '84 and '80 and '76, not to mention '72 and '68. No Democrat carried California in those years either. In fact, the last time the state dropped into the "D" column was during Lyndon Johnson's 1964 landslide over Barry Goldwater. Bill Clinton was a teenager.

Indeed, mindful of President George Bush's proclivity for soaring and dropping in the public ratings, and with an historical eye on the absence of civility in the contest four years ago, Clinton appears to be taking nothing for granted. And he is aiming to take California. It will be hard for Clinton or Bush to win the White House without California's 54 electoral votes — 20 percent of the 270 needed for election.

Clearly, Clinton has an early leg up. The first head-to-head California Poll following the Democratic convention in New York had Clinton up by a staggering 34 points — the biggest lead for a presidential candidate since the Poll's founder, Mervin Field, began such soundings more than 45 years ago. The going looks so rough in California for the Republicans that there has been talk — mere idle prattle, one suspects — that Bush is considering various game plans that do not include the nation's most populous state.

Clinton has no such option. Doing the math in the Electoral College, he needs California to counter expected GOP strength elsewhere — unless some kind of nationwide Democratic landslide takes place. Polls from other states — notably

James R. Carroll writes from Washington for the Long Beach Press-Telegram *and* Knight-Ridder News Service.

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Texas, Bush's adopted home state, where Bush also trails badly — indicate the president has his work cut out for him elsewhere. But every little voice inside every pundit screams: "Don't believe those numbers."

So, back to earth, which brings us around to John Emerson. He is Clinton's California campaign chairman, the man hired to deliver those 54 votes. "California is a priority," he repeats to every state political leader, every volunteer, every reporter, and probably to his mirror every morning when he shaves.

Unlike in recent presidential elections, when the Democratic candidates pronounced California a "priority," then abandoned it to the Republican hometown boy, Ronald Reagan, Clinton seems to have shown some early credibility. His campaign is thick with people who know a lot about California politics. Besides Emerson, there is Los Angeles attorney Mickey Kantor, a one-time adviser to former California Governor Jerry Brown and now the Arkansas governor's national campaign chairman; Congresswoman Maxine Waters of Los Angeles, who was appointed a co-chair of the national campaign after seconding Clinton's nomination at the Democratic National Convention in New York; and Los Angeles County Supervisor Gloria Molina, also a co-chair.

At the New York convention, the California delegation got one signal of how important the state is, winning breakfast visits from first lady hopeful Hillary Clinton and vice presidential nominee Al Gore.

"California is the battleground," Gore declared.

Right after the first, much-publicized, post-convention Clinton-Gore bus caravan through the East and Midwest, Clinton came straight to California.

The Clinton team will be out in California so much, it will almost be like they have a vacation home out [here]," quipped Robert Mulholland, California Democratic Party political director.

The plan is to have either Clinton, Gore or their wives in California an average of two to four days every week until Election Day, according to Emerson.

Okay, so much for presence. How about the nuts and bolts?

The Clinton strategists and state party officials want to boost both Democratic registration and turnout through the state, with a special emphasis on strongholds like San Francisco, Los Angeles and about 10 other counties; go after the independent voters once in Ross Perot's corner; and make the economy the central theme of the campaign.

State Democratic Party Chairman Phil Angelides has a special target in mind: the roughly 900,000 Democrats in the dozen most-Democratic counties who sat on their hands in 1988. Dukakis lost California to Bush in 1988 by a 350,000-vote margin, out of nearly 10

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million cast. Angelides wants those 900,000 back in the worst way. To get them, he is working on putting together a centralized campaign operation in California. Local, state and federal candidates will work with the Clinton people to coordinate efforts to get out the vote. It remains to be seen whether all parties can overcome the petty jealousies over time and resources that often crop up in these cooperative endeavors.

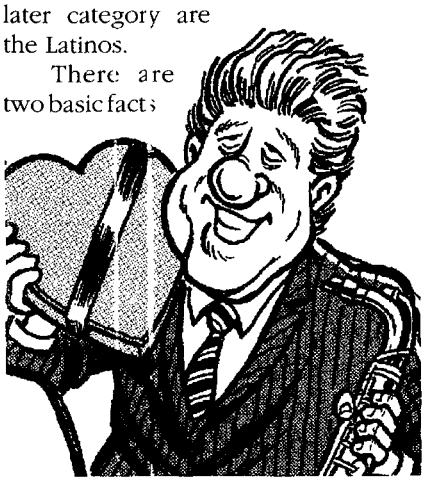
But before Democrats can get these voters to the polls, they will have to register them. Taking a cue from 1988, when the Democrats mounted a registration effort credited with narrowing the gap with Bush, signing up Democrats to vote has been Job Number One this year.

And it has paid off so far. At last report, the Democrats led the Republicans in registrants, 6.5 million (40.5 percent) to 5.2 million (38.6 percent). And right there in the middle are the 1.3 million registered independents, almost 10 percent of all registered voters — and one group where erstwhile presidential candidate Ross Perot found a lot of support.

"I think it is very clear that everyone who supported Perot wanted change," Emerson said. Clinton's portrayal of himself as the "change candidate" should resonate with those people, he said. Indeed, the California Poll in July suggested Perot backers in California were breaking four-to-one for Clinton.

Another element of the California strategy is to expand the base even beyond the unplugged Democrats and dissatisfied independents by going after groups of voters who should be Democratic constituencies but either haven't been or have been understrength. One of the key groups in the later category are the Latinos.

There are two basic facts



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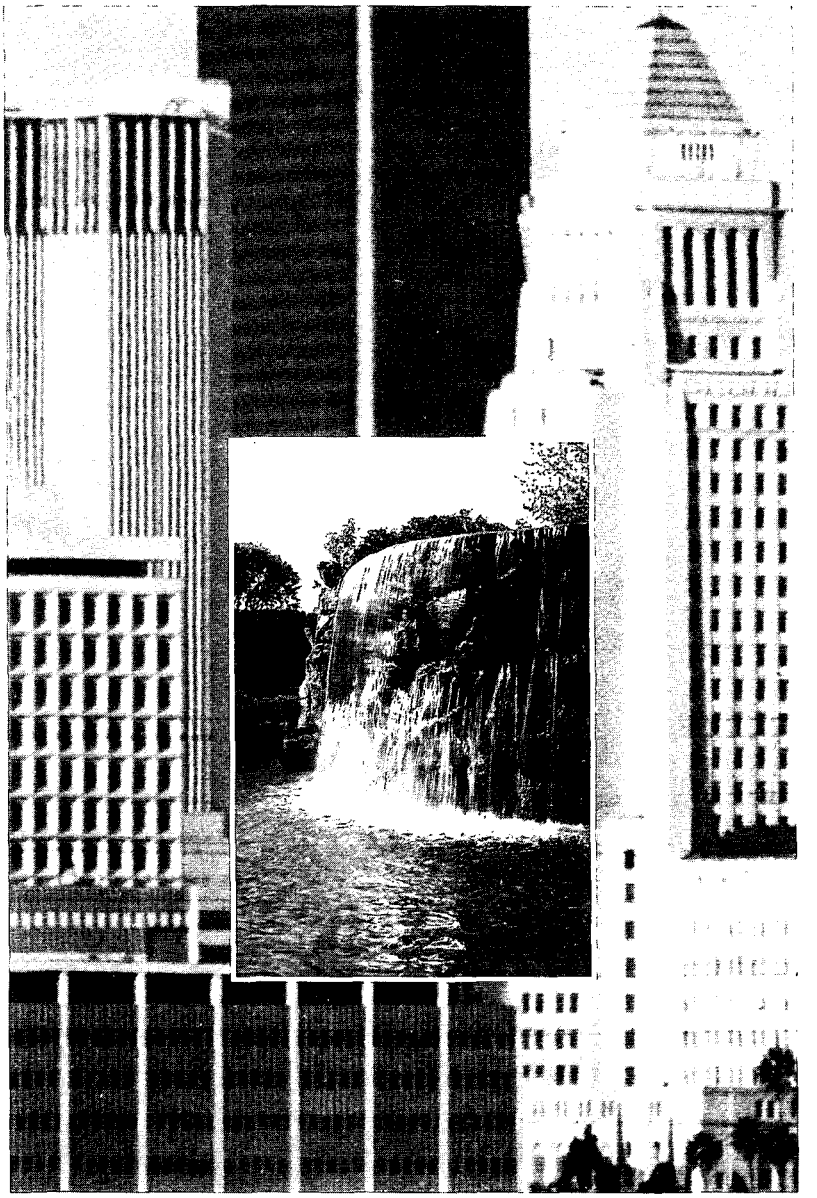

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about the Latino vote for president in California. First, Latinos do not automatically consider themselves Democrats. Second, there are an awful lot of Latinos who are eligible to vote but do not register or turn out. There are an estimated 2.4 million eligible Latino voters in the state, and Democrats have been running a registration drive aimed specifically at them. "It's a critical swing factor," Angelides said.

Latino turnout nationwide has dropped from 55 percent in 1972 to 45 percent in 1988, despite the efforts of the Spanish-speaking Dukakis to woo them. But it is also true that, in California, Latinos who *have* voted have favored the Democrats in recent elections. In 1988 Dukakis took about 65 percent of the Latino vote. In the 1990 gubernatorial elections, that percentage dropped a bit as Democrat Dianne Feinstein received 60 percent in her contest with Pete Wilson.

The issue the Democrats believe will work with Latinos is the same one that Clinton intends to emphasize in every California appearance: the sagging economy. "The main issue is jobs, and it should be," said Robert Rankin, a local Democratic activist in Carson who has been walking precincts for Clinton.

Indeed, Clinton's first visit to the state after the convention focused on economic issues, and he took his message to suburban areas like Riverside County that have been the bailiwicks of the Reagan coalition for more than a decade.

Meanwhile, it has been up to Gore to hammer away on the Bush administration's environmental record, another issue the Democrats believe cuts their way in environment-conscious California, especially along Southern California's urban coast where Republicans from Santa Barbara to San Diego tend to be more moderate than their inland brethren.

Then there are the intangibles, like the youthful vigor of the Democratic ticket. It's not something that finds its way onto a position paper, but the energetic image of Clinton and Gore high-fiving and jogging their way from San Diego to Eureka certainly doesn't hurt in a state that likes to think of itself as young in fact and spirit. Who knows, maybe for California the Democratic ticket will skip the buses and grab the surfboards.

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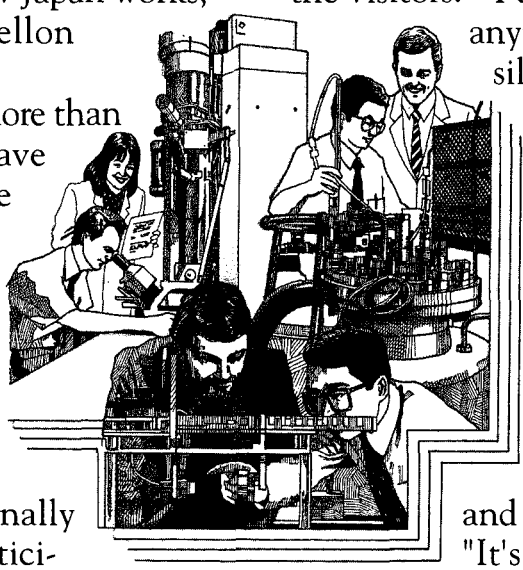
Researchers are adventurers at heart. So it's no surprise that when Hitachi invited materials scientist Dr. Joseph O. Artman to spend six months this year working at its Central Research Laboratory (HCRL) in Tokyo, he eagerly accepted. "It gave me an opportunity to work in a new area, magneto-optics, and to see for myself how Japan works," recalls the Carnegie Mellon University professor.



Dr. Artman is one of more than 40 U.S. scientists who have worked in Japan over the last six years as participants in Hitachi's Research Visit Programs (HIVIPS). The programs aim to advance science through collaborative research and to enrich participants' lives personally and professionally. Participants work side-by-side with Hitachi scientists on basic problems in electronics and information systems.

For Dr. C.A. Cain, chairman of the University of Michigan's Bioengineering Program, HIVIPS proved a welcome sabbatical. "For the first time in years, I was able to pursue new ideas without interruption," he says. "In my time there, I basically defined my research directions for the next five years."

HIVIPS participants were struck by the effort to make them feel at home in Japan. "One of the nicest things about the program was the friends I made," says Dr. Cain. "We still do joint research and exchange visits," he adds.

HCRL's research facilities impressed the visitors. "I could do just about anything to a piece of silicon that I wanted to," says John Snyder, a Stanford University doctoral student in electrical engineering, who worked on a new kind of transistor. The visitors also appreciated the natural beauty of HCRL's campus,with its goldfish-stocked lake and sheltering woodlands. "It's an oasis of calm in Tokyo," says Dr. Cain.

Hitachi is proud to sponsor the HIVIPS program. We believe that it can make a significant contribution to science, to its participants' lives, and to a better understanding between the U.S. and Japan.

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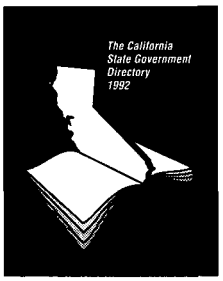

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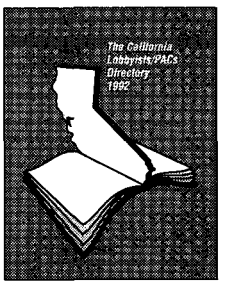

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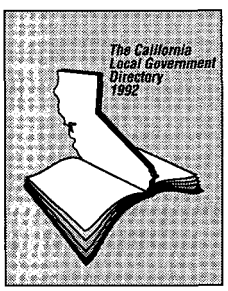

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A California Journal Analysis

NOVEMBER 1992 BALLOT PROPOSITIONS

PROPOSITION NUMBERING

In 1983 the Legislature passed a law requiring that ballot measures be numbered consecutively from election to election, starting with November 1982. Previously, each election got its own set of proposition numbers starting with 1, but the system proved confusing. If you say, "Proposition 13," do you mean the tax-cutting proposal of 1978 or the water-conservation proposal of 1982? Since 1982, 154 propositions have appeared on various ballots, thus the current group begins with the number 155. It will continue this way for 10 years, so the next Proposition 1 will be in 2002.

REPRINTS

Additional copies of this ballot booklet are available at the following rates: 100 or more copies 79 cents each; 50-99 copies, $1.25 each; 3-49 copies, $1.95 each; 1-2 copies, $3.95 each. Please add 7.75 percent sales tax plus $2.75 handling to all orders. Send your check or MasterCard or Visa number to: California Journal, 1714 Capitol Avenue, Sacramento, CA 95814. COPYRIGHT 1992 BY INFORMATION FOR PUBLIC AFFAIRS, INC.

155 SCHOOL FACILITIES BOND ACT

An act, placed on the ballot by the Legislature, to provide for a bond issue of $900 million to pay for the construction or renovation of public schools.

Background: Much of the money for public school construction and renovation comes from the State School Building Lease-Purchase Program, which gets its money from previous general obligation bonds approved by voters. In order to receive this money, eligible school districts must come up with matching funds they can raise from a variety of sources, including developer fees on new construction and local general obligation bonds, which require the approval of two-thirds of the voters in the district. In June, voters narrowly approved two bond measures for public schools: Proposition 152, which authorizes a bond issue of $1.9 billion for the construction or renovation of public elementary and secondary schools; and Proposition 153, which authorizes a bond issue of $900 million for the construction or renovation of California's public colleges and universities.

Proposal: This measure authorizes the state to sell $900 million in general obligation bonds to pay for the construction or modernization of elementary and secondary school buildings. General obligation bonds are backed by the state, which means the state pays the principal and interest on the bonds with general fund revenues. These revenues come primarily from state personal and corporate income taxes, and state sales and use taxes. At least $630 million of the bonds would go to buy land and construct new buildings, and up to $270 million would be used for construction projects in districts that otherwise may not receive funding under the state building program because of their small size. If all the bonds authorized by this measure are sold at a 7 percent interest rate, the cost would be about $1.6 billion to pay off both the principal ($900 million) and interest (about $700 million) over 20 years.

Arguments for: Supporters — including Governor Pete Wilson and the presidents of the California Chamber of Commerce and the California Teachers Association — argue that Proposition 155 invests in California's future by providing funds to build and modernize classrooms without raising taxes.

Arguments against: Opponents of this measure, including Ted Brown, chairman of the Libertarian Party of Los Angeles, say that bonds are not free money, and that it is taxpayers who'll have to pay the $1.6 billion in principal and interest. In addition, they argue, school districts would have plenty of money without the bonds if only they would fire bureaucrats and lease vacant commercial real estate instead of undertaking new building projects.

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156 PASSENGER RAIL AND CLEAN AIR BOND ACT OF 1992

An act, placed on the ballot by the Legislature, to provide for a bond issue of $1 billion to provide funds for capital expenditures and the acquisition of rights-of-way and rolling stock for inter-city rail, commuter rail and rail transit programs.

Background: Passenger rail transportation in California includes inter-city rail, commuter rail and urban rail transit services. Fare revenues pay part of the operating costs of these services; the remainder comes from various local, state and federal sources. These sources also pay the capital costs for California's passenger rail services. In addition, in 1990 voters approved the use of general obligation bonds for capital costs for rail service: The Passenger Rail and Clean Air Bond Act of 1990 ($1 billion) and the Clean Air and Transportation Improvement Act of 1990 ($1.99 million).

Proposal: This measure allows the state to sell $1 billion in general obligation bonds to provide funds for rail services. These bonds are backed by the state, which means the state is required to pay the principal and interest costs — usually over a period of 20 years. If the bonds are sold at an interest rate of 7 percent, the cost to the state is estimated to be $1.7 billion to pay off both the principal and interest. In addition, since fare revenues typically cover only a portion of operating costs, expanded passenger rail services will require additional state and local operating funds. These costs are unknown, but could be in the tens of millions of dollars annually, according to the Legislative Analyst.

Arguments for: Proponents include the Planning and Conservation League and California Air Resources Board. They say Proposition 156 will improve rail services and thus increase the number of people who use rail, which in turn will mean fewer cars on the road, less gridlock and cleaner air.

Arguments against: Opponents include Dr. Martin Wachs, a professor of transportation planning at UCLA, and Ryan Snyder, an urban planner/transportation specialist. They say that other transportation programs would provide greater benefits at a lower cost, such as increasing bus service, lowering bus fares, increasing carpool lanes and improving ride-share programs and bicycle and pedestrian facilities. In addition, they say, rail transportation works well in cities with dense residential corridors, such as New York, Tokyo and Paris, but not as well in California.

157 TOLL ROADS AND HIGHWAYS

A constitutional amendment, placed on the ballot by the Legislature, that provides that toll roads and highways in California leased to private entities shall become toll-free within 35 years, but would permit a suspension of this provision by a two-thirds vote of the Legislature.

Background: Current law allows the state Department of Transportation to contract with private businesses to build and operate four public toll highways. To date, four such contracts have been awarded: one for a highway in the north and three for highways in the south. When finished, these highways will be owned by the state, but leased to private businesses for up to 35 years. During the lease, the businesses may charge tolls to pay the construction, maintenance and operating costs of the highways and to provide for a reasonable rate of return. After that, the highways are turned over to the state, which may continue collecting tolls.

Proposal: This constitutional amendment bans the collection of tolls on roads or highways owned by the state and leased to a private entity after tolls have been collected for 35 years *or* upon expiration of the lease, whichever occurs first. However, with a two-thirds vote, the Legislature could suspend the ban. A ban on tolls will mean the state would have to use money such as state gas taxes to pay for the maintenance of the roads, and the potential loss of toll revenue could be in the tens of millions of dollars annually. Assuming the four toll highways are completed by 1995, that effect would occur in 2030 at the earliest.

Arguments for: Proponents include Brian Hill, president of the California State Automobile Association, and Democratic state Senator Bill Lockyer of Hayward. They argue that California, unlike some eastern states, has "freeways," not toll roads, and although toll roads have been authorized, proponents do not want them to remain toll roads forever. Once the leases expire and these highways revert to the state, taxpayers, who already pay for building and maintaining state highways with gas taxes, shouldn't have to pay twice.

Arguments against: Opponents include Richard Tolmach, president of Modern Transit Society, and Katharine Thompson, executive director of California Transit League. They argue that Proposition 157 will help subsidize the wealthy land speculators who plan to build private highways to allow land developments, and then, after 35 years, turn over the worn-out roads to the state to be maintained at public expense. In addition, opponents say, highway users should pay for the upkeep of highways. If Proposition 157 passes, the state will not be able to pass on those costs to users in the form of tolls.

158 OFFICE OF CALIFORNIA ANALYST

An act, placed on the ballot by the Legislature, to create the Office of California Analyst to replace the present Legislative Analyst Office, and to exempt the cost of the newly created office from the constitution's Proposition 140 limit on legislative expenditures.

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Background: The Office of the Legislative Analyst, established in 1941, provides impartial budget evaluations and makes recommendations to reduce the cost and increase the effectiveness of state government. It also analyzes the financial impact of proposed legislation and estimates the impact on state and local governments of proposed state ballot measures. In November 1990 voters approved Proposition 140, which was widely known for imposing term limits on legislators and statewide officeholders. But the initiative also reduced legislative spending by about 38 percent and set a limit on future spending. The Legislative Analyst's Office falls under those spending limits. Lawmakers, in an attempt to salvage as much of that spending for themselves, sought ways to excise chunks of the legislative budget without doing away with essential legislative functions.

Proposal: This measure changes the name of the office, but keeps the functions the same. The measure does not change the Proposition 140 spending limitation; but it removes the Legislative Analyst's Office from that limit, and thus could increase state costs. The amount of the increase is unknown, but could be offset by savings from the implementation of the office's recommendations.

Arguments for: Backers include the presidents of the League of Women Voters of California, California Manufacturers Association and California Teachers Association. They argue that Proposition 158 will ensure that one of the most respected non-partisan "watchdog" agencies will continue to do its job without being subject to spending cuts.

Arguments against: Opponents, including Pete Schabarum co-author of Proposition 140, argue that in approving Proposition 140, voters were sending a clear message that they wanted legislators to limit spending on themselves. Now, legislators are threatening to make cuts in the Legislative Analyst's Office instead of cutting their own perks such as taxpayer-subsidized cars, office remodeling and personal servants, say measure opponents. A vote against Proposition 158 does not mean closure of the analyst's office; it means legislators will have to choose between perks and funding for the Legislative Analyst, say opponents.

159 OFFICE OF THE AUDITOR GENERAL

An act, placed on the ballot by the Legislature, to create the Office of Auditor General, replacing the present Auditor General and exempting audit costs from the constitution's Proposition 140 limit on legislative spending.

Background: The Office of the Auditor General, established in 1955, conducts three types of audits: financial audits of state agencies (as required by the federal government in order for the state to receive federal funds); investigative audits in response to allegations of fraud or abuse by state employees; and performance audits of state programs to assure they are managed efficiently. In November 1990 voters approved Proposition 140, the term-limits initiative, which — among other things — reduced legislative spending by about 38 percent. The Auditor General had been funded from the Legislature's budget, but in an effort to comply with terms of Proposition 140 and slash spending, lawmakers cut off the Auditor General. Since then, the office has not received legislative funds and has conducted audits on a contract basis with the executive branch.

Proposal: The measure establishes the Office of the Auditor General, which would conduct independent, nonpartisan audits as required by state or federal law or as requested by the Legislature. The measure does not change the Proposition 140 spending limitation, but could increase state costs by removing the Auditor Genral's Office from the spending limit. The amount of the increased costs to the state would depend on the extent to which funds are needed to carry out performance audits.

Arguments for: Measure proponents include the presidents of the California Teachers Association, California Manufacturers Association and League of Women Voters of California. They say that the Auditor General has saved California more than a half-billion dollars in the last 10 years alone, and that a "yes" vote means that the Auditor General will continue to seek out ways to end wasteful practices in state government.

Arguments against: Opponents include Pete Schabarum, co-author of Proposition 140; Mike Ford, director of Marin United Taxpayer's Association; and Lee Phelps, founder of the Alliance of California Taxpayers. They say that in approving Proposition 140, California voters had the clear aim of reducing the Legislature's expenditures on itself. The purpose of this proposition is to take the highly respected office of the Auditor General off the legislative budget, so the Legislature will have more money to spend on itself. A vote against Proposition 159 will not mean the inevitable closure of the Auditor General's office, but it does mean the Legislature will have to choose between perks and funding the Auditor General.

160 PROPERTY TAX EXEMPTION

An act, placed on the ballot by the Legislature, that permits the Legislature to exempt from property taxation the home of a person (or that person's spouse) who died from a service-connected injury or disease while on active military duty.

Background: Homeowners pay local property taxes based on the assessed value of their home. As long as the home has the same owner and there is no new construction, the assessed value remains about the same each year, with a small increase for inflation. Over the years, lawmakers have provided exceptions to this; for example, existing law provides a property tax exemption for the home of a 100 percent disabled veteran or the veteran's unmarried surviving spouse.

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Proposal: This measure allows the Legislature to establish a new exemption similar to the one provided to totally disabled veterans. It would have no direct fiscal impact since it simply allows the Legislature to create the new exemption. However, if the exemption is created, it would reduce local property tax revenues by potentially millions of dollars annually. Cities, counties, school districts and special districts all would share in these losses.

Arguments for: Backers include Gary Villalba, president of the California Association of County Veterans, and Republican Assemblyman James Brulte, who say that Proposition 160 corrects what must have been an oversight, and recognizes the ultimate sacrifice made by the men and women who have served in the armed services.

Arguments against: Opponents, including Gary Wesley, an attorney, note that widows and widowers of persons who served in dangerous, non-military positions, such as police officers and firefighters, would not be eligible for this exemption. Nor would widows and widowers who re-marry, even if re-marrying did not improve their financial status. The solution to California's crazy property tax system is not to provide another special exemption for some, but rather to overhaul the system and make it fair for everyone.

161 PHYSICIAN-ASSISTED DEATH. TERMINAL CONDITION

An initiative that establishes the right of a mentally competent adult to request a willing physician to assist the patient in dying if a terminal condition is diagnosed. Declares the death "not suicide," ensures the physician is not liable and prohibits any effect on insurance.

Background: Current state law allows adults to instruct their physicians in writing to withhold or withdraw "life-sustaining treatment" (such as intravenous feeding) in instances of a terminal illness or permanent unconscious condition. State law does not, however, allow adults to authorize "aid-in-dying," or the use of medical procedures (such as an injection of a lethal substance) that will end the life of a terminally ill patient.

Proposal: This measure allows mentally competent adults to instruct their physicians in writing to provide aid-in-dying upon their request when they become terminally ill. A person's decision to ask for aid-in-dying would be voluntary, and any authorization of aid-in-dying could be cancelled at any time. The measure defines "terminal" as an incurable or irreversible condition that — in the opinion of two physicians (including the patient's attending physician) — would result in death within six months. The measure also specifies that physicians, health care professionals and privately owned hospitals would not be required to administer or provide assistance in dying if they are religiously, morally or ethically opposed. The measure also specifies that death resulting from receiving aid-in-dying is not suicide, and that requesting or receiving aid-in-dying will not affect the sale of or payment on any life or health insurance policies. The measure could result in savings to the state to the extent that terminally ill patients receiving public health care assistance choose to receive aid-in-dying. Or, it could result in costs to public hospitals if they are required to administer the provisions of the measure and to accept transfers of patients from private hospitals that choose not to perform aid-in-dying.

Arguments for: Proponents include Dr. Warren Bostick, past president of the California Medical Association; Mae Ziskin, former president of the California Psychological Association; and Douglas Norris, senior minister at the First United Methodist Church of Palo Alto. They argue that modern medicine can strip away a terminally ill patient's dignity and turn his or her last days into a nightmare of pain and suffering. Proposition 161 would give patients control over their destiny and allow them to die with dignity if they are terminally ill. It is voluntary, and physicians decide how long a period is needed before responding to the patient's wishes.

Arguments against: Opponents include Larry Lutz, past chair of the California Commission on Aging; Mary Foley, president of the California Nurses Association; and Jo Ann Siemsen, president of the California State Hospice Association. Even people who support physician-assisted suicide oppose this proposition, since it does not have sufficient safeguards, say opponents. For example, Proposition 161 does not require a "cooling off" period. In other words, people who become depressed when diagnosed with a terminal illness could end their lives almost immediately, before adequately considering this irreversible decision, which could, in fact, be a wrong diagnosis. In addition, the measure does not require counseling or psychological evaluation; thus, there are no protections for those who are incapable of making a rational, informed decision, opponents argue. And, taxpayers will foot the bill if California becomes the suicide center of the world, they add.

162 PUBLIC EMPLOYEE'S RETIREMENT SYSTEMS

An initiative that grants boards of public employee retirement systems sole authority over investment decisions and administration of the system, including sole power to provide actuarial services. Also restricts changes to boards.

Background: Public pension systems in California provide retirement benefits to a wide range of state and local government employees — such as teachers, firefighters and police officers. Funds for payment of retirement benefits come from assets held in trust by each system's governing board. These assets include contributions from employees and employers, plus earned income on the investments of these contributions.

Proposal: This measure makes several changes in the constitutional provisions related to public retirement systems. For example, it gives the board of each public pension system complete authority for administration of the

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system's assets and for the actuarial function. (Recent legislation removed the actuarial function from the PERS board and placed it under a state actuary appointed by the governor and confirmed by the Legislature.) Proposition 162 could produce a savings in the range of $1 million to $3 million by returning the actuarial function to PERS. There would be an unknown effect on the cost of employer contributions resulting from potentially different assumptions of an actuary responsible to the PERS board, rather than the governor.

Arguments for: Supporters include Charles Carbonaro, chairman of the state legislative committee of the American Association of Retired Persons, and Peter Kanelos, executive director of REsponsible VOters for Lower Taxes (REVOLT). They say that this measure prevents politicians from raiding pension funds when they fail to keep government spending under control. Taxpayers could face future tax increases if they have to pay back tomorrow the funds politicians take from public pension funds today, proponents argue.

Arguments against: Opponents include Richard Gann, president of Paul Gann's Citizens Committee, and Larry McCarthy, president of the California Taxpayers' Association. This measure would take away nearly all authority of the executive and legislative branches to oversee pension fund decisions, opponents argue. Last year, for example, in the middle of a recession and budget crisis, the PERS board voted to pay its top bureaucrat $110,000 per year. The state controller blocked this pay increase, but would have no authority to stop other salary hikes if Proposition 162 becomes law, opponents say.

163 TAXATION OF FOOD PRODUCTS

An initiative constitutional amendment that repeals a sales tax imposed by the Legislature last year on candy, bottled water and snack foods, and adds a statute exempting those items from sales and use taxation.

Background: Currently, a sales and use tax — averaging 8 percent statewide — is imposed on most goods purchased in this state. Until last year, however, state law did not allow sales taxes on certain items such as most food items sold for home consumption. In 1991 the Legislature, attempting to close a gap in the state budget, changed state law to apply sales taxes to candy, "snack food," and bottled water.

Proposal: This measure amends the state Constitution so that states, counties, cities and special districts may not impose sales or use taxes on food products used for home consumption. This measure also changes state law to define candy, snack foods and bottled water as food products. According to the Legislative Analyst's Office, this measure would reduce state government sales and use tax revenues this fiscal year by about $210 million and local government revenue by approximately $70 million.

Arguments for: Supporters include Peter Jensen, executive director of California Bottled Water Association, and Democratic Assemblywoman Jackie Speier. Until 1991 California had a tradition of not taxing the essentials of life: food and water. But last year, a food tax was passed that generates less than one-half of 1 percent of the overall state budget. Measure supporters say that the new tax, in addition to placing the greatest burden on those who can least afford the tax, has been an administrative nightmare: small pies are taxed, large pies are not; granola bars are taxed, whole granola is not; pretzels are taxed, peanuts are not. The Constitution should be amended to prohibit state and local governments from imposing sales or use taxes on bottled water, candy and food products, they argue.

Arguments against: Although no formal opposition has materialized as yet, arguments made at the time the snack tax bill was made into law were that the state needed the money, and since snacks and bottled water could be considered discretionary items, it was preferable to tax them than make cuts in other areas.

164 CONGRESSIONAL TERM LIMITS

An initiative statute that imposes term limits on members of the U.S. House of Representatives and the U.S. Senate by denying ballot access to persons who already have represented California congressional district(s) for six or more of the previous 11 years, and to those who have represented California as a senator during 12 or more of the previous 17 years. These term limits do not count pre-1993 service, and the measure does not restrict write-in candidates.

Background: Senators are elected for terms of six years and representatives for terms of two years. The U.S. Constitution sets the general qualifications and duties of members of Congress, and there are no federal or California laws limiting the number of terms senators and representatives may serve. One state — Colorado — has set term limits for its senators and representatives in Congress. In 1990 California voters approved Proposition 140, which set lifetime term limits for members of the *state* legislature and most *statewide* offices, but did not limit the terms of members of Congress from California.

Proposal: This measure would limit the number of terms senators and representatives from California may serve in Congress over a period of years, but not over a lifetime. Congressional service before 1993 would not count toward the limits, and there would be no restrictions against any person from campaigning as a write-in candidate. To the extent that it results in more write-in candidates, this measure could incur additional elections-related costs in counting write-in votes.

Arguments for: Backers include Ted Costa, the chief executive officer of Peoples' Advocate, and Peter Schabarum, chairman of Citizens for Term Limits and author of Proposition 140. Proposition 164 will remind rep-

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resentatives that they are public servants who can serve for a definite time and then return home to live under the laws *they* made, supporters argue. The measure also will reinvigorate Congress with new ideas and give voters a greater choice of candidates by weakening the power of incumbents, who now dominate elections with free mail, huge staffs and free travel. The terms of the president, governor and members of the California Legislature already are limited; it's time to limit congressional terms, too, say measure supporters.

Arguments against: Opponents include Daniel Lowenstein, former chairman of the Fair Political Practices Commission, and John Phillips, chairman of California Common Cause. Congress should be revitalized, but the way to do that is to vote out those who are not doing their job and by passing legislation to reform campaign financing, measure opponents say. Proposition 164 doesn't do either. Instead of "breaking up the 'good old boy'" network, as supporters claim, Proposition 164 will mean that California will end up with a delegation of low-ranking members who have little seniority and can't fight for federal dollars against powerful leaders — who do have seniority — from other states.

165 BUDGET REFORM: PROCEDURAL AND SUBSTANTIVE

An initiative constitutional amendment that grants the governor the power to declare a "fiscal emergency" when the budget is not adopted or the deficit exceeds specified percentages. It also reduces aid to families with dependent children (AFDC) by 10 percent, then by an additional 15 percent after six months on aid.

Background: By January 10th of each year, the governor must submit to the Legislature a balanced budget proposal for the next fiscal year starting July 1st. The proposal must include specific spending amounts and identify revenues needed to pay for that spending. As a fiscal bill, however, the budget must be passed with a two-thirds majority in each house (27 votes in the Senate; 54 votes in the Assembly). It then becomes law if the governor signs it or takes no action within 12 days. In recent years, as California's economic vitality has slipped and state revenues have fallen below expectations, it has been increasingly difficult to craft a budget acceptable to two-thirds of the Legislature and to the governor.

Proposal: This measure, proposed and supported by Governor Wilson, changes the state's budget process and increases the governor's control over state spending. For example, it allows the governor to make spending cuts *after* a budget becomes law if general fund revenues fall short of estimates or spending runs ahead of estimates. (Certain items would be protected from cuts, such as state payments to public schools and community colleges and payments to local governments for the costs of programs required by the state.) The measure also would allow the governor to make spending cuts that now require passing a separate law, such as cuts in welfare grants, health benefits and state employee salaries.

Proposed cuts include an immediate 10 percent reduction in welfare payments, and an additional 15 percent reduction in payments if a family has been on aid for more than six months or went off aid after six months and returned to the program within 24 months. In addition, aid would not increase to families where a child was conceived while the family was receiving benefits, and all special benefits to pregnant women would be eliminated. The measure also requires that during their first 12 months of residency in California, AFDC applicants could not receive more aid than they would have been granted in the state they lived in previously. For AFDC parents under age 19 attending high school, AFDC grants would be increased by $50 if they have no more than two unexcused absences and four total absences per month. Otherwise, the grant would be reduced by $50.

The measure also requires that the governor and members of the Legislature would not be paid if the Legislature fails to pass a budget by June 15th. In addition, the measure allows the governor to declare a "fiscal emergency" if the budget is not signed by July 1st, in which case the prior-year budget continues as the state's working budget until a new one becomes law.

The fiscal effects of this measure are impossible to determine, but could result in major public sector savings. For example, the AFDC grant reductions could amount to full-year savings (in 1993-94) of about $1.4 billion, after accounting for administrative costs. On the other hand, grant reductions could cause more homelessness, thereby creating a larger pool of people who are eligible for AFDC homeless assistance benefits. And, if grant reductions are *not* offset by an increase in earnings from employment or other income, there could be increasd demand for public services such as health care and foster care. In addition, the Legislative Analyst's Office estimates that the measure's provisions will result in a net reduction of about $400 million annually in federal funds allocated to California. This loss of federal funds to the state economy would, over time, result in reduced personal spending and state tax revenues.

Arguments for: Supporters include Governor Pete Wilson, Maureen DiMarco, the California Secretary of Child Development and Education; and John Arguelles, retired justice of the California Supreme Court. Proposition 165 restructures the welfare system so it pays to get a job rather than just collect welfare, supporters say. It also offers teenage welfare mothers cash incentives to stay in school, and requires that recipients will no longer receive additional cash for having additional children after going on welfare. California currently pays its welfare recipients nearly twice the average paid by other large states, and it still will pay among the highest grants if this measure passes, proponents say. Proposition 165 also reforms the budget process by docking the governor's and legislators' pay when they fail to balance the budget on time. In addition, it gives the governor "last resort" budget balancing tools but does not allow the governor to raise taxes or cut education. The governor's actions are subject to legislative override.

Arguments against: Opponents include the Executive Committee of the California Council of Churches; the California Catholic Conference of Bishops and Gloria

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Blackwell, president of the state Parent Teacher Association. They say that true welfare reform would include job creation, job training, child care, and would deal with welfare fraud. This measure does none of these, they say; it simply punishes everyone who can't find work. The measure also eliminates cost-of-living increases for foster homes, and for needy aged, blind and disabled Californians who have nowhere else to turn. Opponents say that Proposition 165 is a constitutional power grab that would give this and future governors unprecedented powers, since fiscal emergencies could be "made to happen." For example, if the governor's own political appointees overestimate revenues by just 3 percent, the governor can declare an emergency. Or, if the governor prevents the state budget from being adopted on time by refusing to work toward consensus, he or she could declare an emergency. After declaring an emergency, the governor could reduce virtually any state-supported service such as laws protecting consumers, health services and funds to local government for trial courts, health care and children's services.

166 BASIC HEALTH CARE COVERAGE

An initiative to require employers to provide health care coverage for most employees and dependents, in addition to limiting employee contributions. It also specifies benefits and provides employer tax credits.

Background: An estimated six million people in California (almost 25 percent of the population under age 65) do not have any health insurance or Medi-Cal coverage. These uninsured people receive health care by paying for it themselves, seeking charity care from private hospitals or relying on county hospitals and health programs. Roughly five million of the six million uninsured people are either employed or the family members of someone who is employed. Almost half of uninsured employees work in firms with fewer than 25 employees. Generally, the rates that small businesses must pay for health insurance are much higher than the rates large businesses pay.

Proposal: This measure requires all employers to provide health insurance to employees and their families if the employees work at least 17.5 hours a week or 70 hours per month, for at least 60 days a year. The measure also requires employees to participate in the program unless they have some other source of private health insurance. To take effect, the state would need a statutory exemption from the federal law that prohibits states from requiring employers to provide health insurance.

The health insurance requirement for employers would be phased-in over four years, depending on the number of employees a company has. Employers would pay at least 75 percent of the insurance premium (of the lowest cost plan available) for each employee and his or her family. Employees would have to pay the remainder of the premium cost, not to exceed 2 percent of the employee's wages. The measure defines the basic benefits insurers must offer to include hospital care for at least 45 days; complete pregnancy care; emergency and necessary follow-up care; routine child health care and vaccinations and prescription drugs.

This measure also changes the way in which insurers can set the rates for health insurance premiums. Currently, they can charge different rates to different employers in the same geographic region, based on factors such as the type of business. This measure requires that they charge the same premium per employee to employers within the same geographic region, except that the premium rates for employers with 100 or fewer employees may be up to 30 percent higher than the rates for employers with more than 100 employees. In addition, the measure sets up a commission and review panels whose duties include monitoring the measure's effects on health care costs.

The net fiscal impact of this measure on state general fund revenues probably is negative, according to the Legislative Analyst's Office. Employers that don't now provide health insurance could end up reducing the number of hours employees work; they could lower wages to offset their costs for providing health insurance; they could reduce the number of employees in low-wage jobs; they could pass the increased costs on to consumers; and they could move out of state.

On the other hand, larger companies could save money if they choose to shift to the basic plan required by this measure, if it is cheaper than their own, and also if employees pick up a larger share of insurance costs. Under existing law, employers with 25 or fewer employees that provide health insurance to their employees are eligible — beginning January 1, 1993 — for a tax credit of up to 25 percent of their costs.

There also could be an annual savings — possibly in the range of $500 million — in the Medi-Cal program. In addition, there could be savings of as much as $100 million annually to county health programs, since counties are the "provider of last resort" for people who lack health insurance. But these county savings could be partially offset by costs to the extent the measure results in unemployment.

Arguments for: The California Medical Association, which supports this measure, argues that more than six million Californians do not have health insurance, and those that do live in fear that it will be cancelled if they have a heart attack or breast lump. They say that this measure will prevent insurance companies from insuring only the healthy and avoiding the sick, and also will subject doctors and hospitals to reviews of their fees and practices to ensure their methods are cost effective.

Arguments against: Measure opponents include Harry Snyder, director of the west coast regional office of Consumers Union, the not-for-profit publisher of *Consumer Reports;* Charles Carbonaro, chair of the American Association of Retired Persons; and John Henning, executive secretary-treasurer of the California Labor Federation, AFL-CIO. Opponents note that Proposition 166 was written by the doctors' lobby, and they argue that it could hurt employees if their employers cut hours below 17.5 hours to avoid the law. They say it also blocks meaningful health care reform, since it doesn't stop physicians from referring

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patients to specialty clinics they own nor does it stop the practice of charging $75 for short office visits or billing inflated prices for aspirin or other simple services. The measure could cost California's small businesses billions per year, forcing many to close or relocate outside California, opponents say. And, many part-time workers, the poor and those without jobs would still be left without coverage, opponents say.

167 STATE TAXES

An initiative to increase state tax rates for maximum personal income taxpayers, corporations, banks, insurance companies and oil producers. Repeals 1991 sales tax increases. Provides for renters' tax credits. Changes corporate reappraisal rules.

Background: The State of California imposes three major types of taxes to fund the programs and services it provides: personal income tax, sales and use taxes and bank and corporation taxes. Personal income taxes vary according to income; bank and corporation taxes also are imposed on income but are assessed at a constant rate of 9.3 percent and sales and use taxes average about 8 percent statewide. Property taxes are based on assessed value.

Proposal: This measure makes changes to each of these taxes. For example, personal income taxes now are set at 10 percent and 11 percent for upper-income taxpayers. (These rates expire in 1996.) This measure would lower the income level at which the 11 percent rate applies and make both the 10 percent and 11 percent rates permanent. It also creates a new 12 percent rate.

The current statewide sales tax rate is 6 percent until July 1993, then will drop to 5.5 percent. This measure reduces the statewide rate to 5.75 percent on January 1, 1993 and to 5.25 percent on July 1, 1993.

Most corporations are subject to a tax on their net income of 9.3 percent. This rate would be raised to 10.3 percent. Currently, corporations that claim many tax deductions and exemptions must pay a minimum tax of 7 percent of specified income; this measure raises the minimum tax rate to 7.7 percent.

Banks and other financial corporations can deduct from their income any funds that they set aside as reserves to pay for losses from bad loans. Under this measure, deductions would be limited to actual losses for bad loans.

Most insurance companies pay tax at a rate of 2.35 percent on the amount of premiums from insurance policies sold. This measure raises the tax rate to 2.46 percent.

The state imposes a fee for the regulation of companies extracting oil from California based on the amount of oil produced. The rate of this tax varies from year to year and currently is set at 2.5 cents per barrel (about 0.2 percent of the value of the oil). This measure establishes a tax on oil that is extracted in California. The tax would be 3 percent of the value of oil extracted and would apply only to companies extracting more than 1.2 million gallons per month.

The fiscal effects of this measure are difficult to assess, and depend to some degree on how businesses react to its provisions. For example, the Legislative Analyst estimates that, while it would result in a roughly 20 percent increase in the total amount of income taxes paid by businesses in California, and a 10 percent to 20 percent increase in the amount of property taxes they pay, some businesses may choose to reduce their business activities or to relocate. On the other hand, increased state and local government expenditures could encourage both short- and long-term growth. For example, additional spending on infrastructure, education and job training could improve the state's attractiveness for business investment. The Legislative Analyst nevertheless estimates that, on a full-year basis (beginning in 1993-94), the provisions of this measure will generate net revenue of between $1 billion and $2 billion. The measure would reduce sales taxes by repealing a portion of the sales tax increases enacted in 1991, but it would replace these revenue losses with increased income and property taxes imposed on businesses and upper-income earners.

Arguments for: Supporters include Lenny Goldberg, executive director of the California Tax Reform Association; Jerry Cremins, president of the state Building & Construction Trades Council of California; Mary Bergan, president of the California Federation of Teachers; and Howard Owens, president of the Congress of California Seniors. They say that giving tax breaks to the super-rich and big business hasn't produced jobs. Proposition 167 creates jobs and expands the economy by putting $1 billion into people's hands to spend. It restores fairness to the tax system by taxing the income of Californians earning over $500,000 by 1 percent more; closing loopholes benefiting multinational corporations, banks, insurance companies and oil companies; limiting corporate write-offs for the pay of top executives; and closing the change of ownership loophole that allows corporations to avoid being reassessed on the same basis as homeowners, say opponents.

Arguments against: Opponents include Lynne Choy Uyeda, president of the Federation of Minority Business Associations; Larry Lutz, former chair of the California Commission on Aging; Larry McCarthy, president of the California Taxpayers Association; and Peter Kelly, former chairman of the California Democratic Party.

They argue that the "so-called Tax-the-Rich" initiative would tax the rich, but it wouldn't stop there. It also would hit middle-and lower-income families by increasing their insurance premiums, gasoline prices and rents, and also would cost them jobs because businesses would be forced to cut jobs. During the recession, California lost nearly 700,000 jobs. Opponents say that now is not the time to tax more employers out of the state, or force businesses that do stay to cut jobs. In addition, Proposition 167 makes many changes in California's tax laws, affecting everything from personal income taxes to bank reserves to insurance premiums. That's just too much for one proposition, they say.

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Vic Fazio on the run

photo by Rich Pedroncelli

By Susan Rasky

Touted as a future speaker of the House, will his new district keep him from his goal?

Reapportionment wasn't particularly generous to any of California's congressional Democrats this year. But it was especially unkind to Vic Fazio, whose bid for an eighth term in the House and whose prospects for ascending the Democratic leadership ladder test all the verities of modern political theory and campaign strategy. Nobody knows that better than the congressman himself, who in the days before "insider" became a dirty word, had already earned a reputation as the consummate inside player, a legislator's legislator, a man of the institution. Now he will have to figure out how to balance a diverse, conservative district with a House leadership position that by definition requires him to be a very public partisan. He is touted in Washington as an obvious choice for House Majority Leader should that job open up in the next several years, and as an ideal candidate for the speakership some day. No Californian has ever reached such heights.

But all of that is beside the point. First, he has to get re-elected.

At the moment he is standing in the broiling summer heat of the Central Valley waiting to introduce himself to the 50 or so bankers, lumber company executives and assorted Sutter County officials who've gathered poolside in the backyard of a local businesswoman to size him up. He begins by acknowledging the obvious: "I'm well aware that the most popular thing I could have done is to resign."

There are a few grins, even some sympathetic nods. This is hardly friendly territory, but people are listening, and afterward there is the round of handshaking and the ritual exchange of business cards that signals some here might like to get to know him better. By and large a success as these things go, even though his

Susan Rasky, an instructor at the UC Berkeley Graduate School of Journalism, formerly covered Congress for the New York Times.

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political antennae tell him the timber industry will probably back his ultra-conservative opponent, former state Senator H.L. "Bill" Richardson.

The verities say that all politics is local. So what's local in a district that sprawls hundreds of miles through pieces of eight counties from the suburbs of Sacramento northward almost to Redding and then eastward to the foot of Mt. Lassen? Agriculture is theoretically a common denominator here, but that's not saying a lot when you're talking about lumping timber harvesters and miners in rural Tehama County with rice and tomato farmers in Sutter and Yolo counties and a small, but noisy pocket of environmental activists in and around Davis.

The verities also say that you have to build a political base and then solidify it. That can be a little awkward in a district where more than a third of the constituents are new and where 40 percent of the voters happen to be registered in the opposition party. Political arithmetic suggests going for the Sacramento suburbs where the votes are most concentrated, except the voters there are a melange of blue-collar workers, white-collar professionals and military retirees — not exactly a winning coalition for a liberal Democrat.

Fazio chafes good naturedly at the word "liberal." "I'm a liberal pragmatist, which by California standards means I am a moderate," he says. "There aren't that many people in the middle, and those of us who are play an enlarged role, especially in the California delegation." He notes that his old district, while more Democratic, also required a delicate balancing of interests, particularly when dealing in the tangled and divisive politics of water. "There are people in each camp who see the bigger picture, those are my base," he says.

"I'm a liberal pragmatist, which by California standards means I am a moderate"

All of that is quite true, and more than a few of Fazio's Republican colleagues will testify, mostly off the record, to the fact that he's the kind of Democrat with whom they can do business. Doing business is what it's all about on the House Appropriations Committee, where Fazio serves as chairman of the Legislative Branch Subcommittee and a senior member of the Energy and Water Development Subcommittee, the bipartisan dispensary for congressional pork. But those institutional subtleties can be difficult to convey on the campaign trail, especially when your opponent is arguing that four decades of

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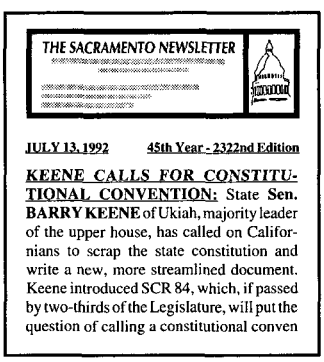
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KEENE CALLS FOR CONSTITUTIONAL CONVENTION: State Sen. BARRY KEENE of Ukiah, majority leader of the upper house, has called on Californians to scrap the state constitution and write a new, more streamlined document. Keene introduced SCR 84, which, if passed by two-thirds of the Legislature, will put the question of calling a constitutional conven

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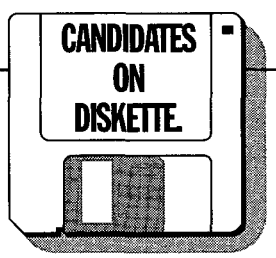

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Democratic rule in the Congress is the reason the economy has gone to hell

It's not just that Fazio is an incumbent with a tough district in a year when voters seem predisposed to send incumbents packing. And it's not just that he has to explain the machinations of the House Bank or the campaign finance system or defend congressional pay raises in a year when those have become convenient symbols of what's wrong with Congress. Fazio, as chairman of the subcommittee that approves the spending for salaries and office allowances in the House, is *the* man who pushed through the pay raise legislation as part of an ethics reform package. And Fazio, as the appointed chairman of the Democratic Congressional Campaign Committee, is the man whose job it is to raise the money and oil the machine that helps elect new Democrats and keep the old ones in office. Three years ago, his Democratic colleagues elected him the vice chairman of the Democratic Caucus, the fifth ranking spot in the House leadership.

Bill Richardson

Even in an ordinary election year, credentials like that would make him more than an ideal target for Republicans, particularly since they can argue with some justification that California's recarved Third Congressional District should be theirs. Fazio's one piece of luck in this particular contest may be running against an opponent as right wing and as controversial as Richardson. The former state senator, who represented a district in Southern California for 22 years, is a one-time organizer for the John Birch Society with strong ties to the gun lobbies and the Christian Fundamentalist movement.

"The Republicans have given Vic a tremendous advantage by running Richardson," says former House Democratic Whip Tony Coelho, who represented Modesto and who once held the congressional campaign post now occupied by Fazio. "Vic's district is conservative, but it's not right wing."

Robert Forsyth, former press secretary to Senate President pro Tempore David Roberti a Los Angeles Democrat, agrees, adding that Richardson carries plenty of negative baggage from his days in Sacramento. "He was not respected in the state Senate for the last five or six years of his term because while he was collecting a salary and building up a pension, he amassed the worst voting and attendance record in committee and on the floor. He said the bills weren't worth voting on, which sort of made people wonder why he stayed in office. Richardson's campaign will turn off moderates. He can organize a fringe, but not a whole, not enough to swing a campaign," Forsyth says.

Maybe.

But Richardson is a media savvy campaigner with a potentially powerful fund-raising network outside the state. If the National Republican Congressional Committee doesn't quite smell blood, it's leaders are at least talking tough. "I certainly believe that one of the great opportunities we have in California is Fazio," says Representative David Dreier, Republican of Claremont, who heads the NRCC's western states congressional campaign effort. "I think the leadership post is an albatross hanging around Vic's neck. His seat is among the top priorities for us this year, and I think Richardson has a very good chance of winning."

Fazio is taking no chances. The fund-raising and organizational skills that he employs on behalf of House Democratic colleagues will now be put to the test in his own campaign. In May, he commissioned a poll of the new district, which showed, as he coyly describes it, that "we can win, but we have work to do." Representative Jerry Lewis of Redlands, the ranking Republican on Fazio's appropriations subcommittee and a personal friend from their days together in the state Assembly, says his colleague is wise not to underestimate Richardson. "I'm not displeased to see Vic being tied so close to home," he chuckles. "It keeps him from campaigning against us."

Campaigning agrees with Fazio, whose relaxed and easy-going style belies an almost encyclopedic knowledge of the history, geography, economy and political minutiae of each of the counties in his far-flung district. At a Kiwanis Fourth of July pancake breakfast in suburban Carmichael, just outside Sacramento, he is deep in conversation with a local fireman about

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the pros and cons of merging city and county governments. At a Chamber of Commerce barbecue in rural Colusa, (three dollars admission and all the burgers and chili you can eat) the talk is of the latest developments in pesticide regulation and, of course, water.

Richardson is a media savvy campaigner with a potentially powerful fund-raising network outside the state.

In this farming county, the cars and trucks that have filled the parking lot in the picnic area are plastered with bumper stickers that leave no doubt about what matters in these parts: "No Water No Jobs No Future." Fazio is methodically making his way from picnic table to picnic table, sometimes spending 15 minutes or more just nodding and listening and absorbing. He represented parts of this area in a previous incarnation of reapportionment, and most folks here are aware of the pivotal role he plays in Washington on an issue so critical to their livelihood.

"He's working this crowd so right," says Ray Cushing, a former editor of the *Colusa Sun-Herald*, who's been admiring Fazio's table-hopping technique. "The farmers around here have had a 20-year battle with the state and the feds over repair of screens that protect fish on the Glenn-Colusa water project, and at one point the government was threatening to shut down the pumps during growing season," he explains. "Vic stepped in, hammered out a compromise in which the feds will pay 75 percent and the state 25 percent of the cost to get the screens repaired. I don't know how he did it, but magic like that is pretty powerful."

Driving home to West Sacramento through the rich, agricultural land and pausing occasionally to point out the wildlife refuges he has helped establish in the northern Central Valley, Fazio talks about what it will take to win, and hold, the votes of his disparate constituencies.

"I don't have a Democratic base in my district, so I can't kiss off anybody. What I have to do is deprive Richardson of the establishment, which is Republican," he says. "I think I have the trust of the agricultural community. I've always represented them on issues, and now I represent more of them politically, so the question is, will they overcome their innate Republicanism to vote for me? I share the views of moderate Republican suburban community on abortion and reasonable gun control, and then, I have to do what I think is right on the problems of the country and hope that people understand."

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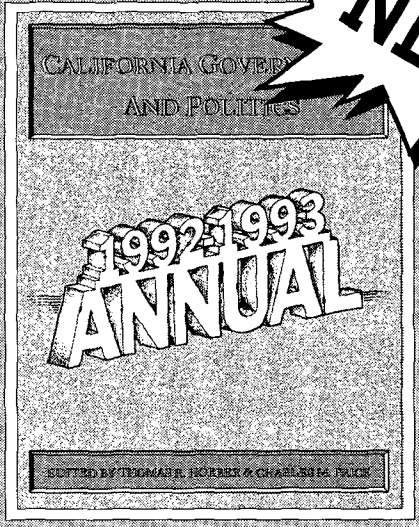

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day, Fazio has spent more than 25 years working in and around legislative politics, beginning with a stint as a staffer in the California Assembly and later winning a seat. (He took a one-year sabbatical from the Assembly staff in 1970 to help found *California Journal*.) Elected to Congress in 1978, he has moved quickly to a position of power and influence by being able to dispense the kind of legislative favors that keep the place running. He hasn't been shy about his ambitions to move up in the House hierarchy should an opening present itself, but even if his district proves obliging, advancement will depend on how much shuffling there is in Washington. Earlier this year, when the check-kiting fracas and House Post Office investigations were causing panic on Capitol Hill, House Speaker Tom Foley of Washington state — and for a time even Majority Leader Richard Gephardt of Missouri — appeared to be vulnerable to a coup from the ranks of disgruntled Democrats.

That situation has changed dramatically, in part thanks to the strength of Bill Clinton's presidential campaign, but also due to some serious fence-mending by Foley. Barring new scandals or a rout of House Democrats at the polls in November, both men appear to be secure in their positions for as long as they care to hold them. Foley is clearly staying put, but rumors persist that Gephardt would like to move on two years hence — either to seek higher office or to enter the private sector — rather than waiting what could be a decade to move up to the speakership. Gephardt's calculations are likely to turn on who wins the White House in November, but the cognoscenti in Washington agree that the most likely opening in the House in the near future is the Majority Leader's spot. And although he'd have competition, the favorite to win it would be Fazio, who would then become the heir-apparent to the House Speaker.

"Watch Fazio and what you see is a guy so bright and so outgoing and so obviously good at what he does," says Norman Ornstein, resident scholar at the American Enterprise Institute in Washington. "The Democrats need a balance of characteristics, somebody tough, but sensitive, who understands the institution and knows how to communicate. They haven't been able to find that combination in a speaker in recent years, and it's hard to find somebody with a better mix of those characteristics than Fazio."

But can a man with a conservative, and at best marginally Democratic district hope to lead the Democrats in the House? Professor Richard Fenno, a noted political scientist at the University of Rochester who has made a career of studying lawmakers' efforts to balance the demands of Washington with the demands of constituents back home, says it's possible, but tough. "You can have a very active political career in Washington, provided your constituency doesn't perceive you've gone Washington. Most of politics is still local, so you have to customize a national message to a local area. You control everything you can control — the press, the newsletters. You run the red eye as often as you can and you play up your constituency," he says. "The glory is that while the district may be very hard to cultivate at first, it's very hard to unseat you once you've done it."

Coelho, who says his situation in the House was not unlike the one Fazio now faces, agrees, adding that Fazio has the right personality traits and political instincts to perform the delicate balancing required. "I think if Vic wins this time and next, he can lock it in. It's a matter of knowing which votes are not forgivable ones in your district and being willing to make your colleagues in Washington mad some of the time." As for collecting chits in Washington, Coelho says the combination of Fazio's work on the legislative appropriations subcommittee and his role in the election of House Democrats are more than enough to assure strong support in a leadership race.

If Fenno and Coelho are right, then Fazio's toughest fight, assuming he wins in November, might be the one that lies two years down the road when Republicans may find a more moderate candidate to oppose him. While Fazio is clearly thinking ahead, his focus now is getting through the next three months. He is studying up on timber, spending lots of time and money in the district and trying hard to explain the intricacies and nuances of an institution he loves to voters who are more inclined to think that it is filled with scoundrels or, worse yet, to confuse him with their state legislators now embroiled in the budget mess in Sacramento.

"Watch Fazio and what you see is a guy so bright and so outgoing and so obviously good at what he does,"

The lofty message has its limits, however, particularly in parades where folks are likely to shout their wrath from the sidelines. In self defense he's taken to carrying a large, hand-lettered sign that simply reads "No Bounced Checks."

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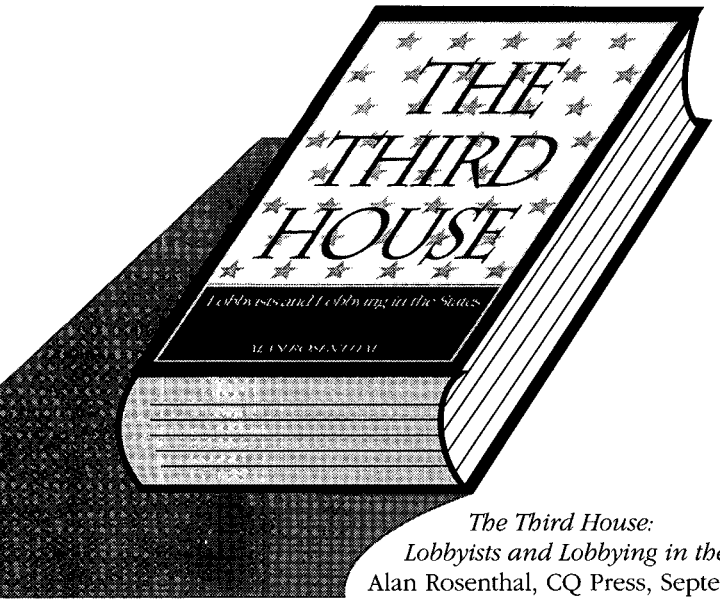

The Third House:
Lobbyists and Lobbying in the States
Alan Rosenthal, CQ Press, September 1992

A *California Journal* book review

Lobbying through the eyes of lobbyists

By Richard Zeiger

Alan Rosenthal, head of the Eagleton Institute at Rutgers University, likes state government. He likes legislators; he likes members of the executive. He likes the process and the people that produce it. And in his newest book, "The Third House: Lobbyists and Lobbying in the States," he confesses that he even likes lobbyists.

Rosenthal is probably the country's foremost authority on state legislatures. Indeed it was he, along with the late Jesse Unruh, who became the nation's most prominent advocates of the modern state legislature: well-staffed, adequately paid and a policy match for the executive or special interests in any state. Eagleton under Rosenthal has become a training ground for legislative staff members and any number of lawmakers from around the country. Over the years, Rosenthal has written eloquently and sympathetically about political players at the state level.

His new volume on lobbyists is no exception. It is based on a lengthy series of interviews with lobbyists in six states — California, Colorado, Florida, Minnesota, New Jersey and Texas.

What emerges from the interviews is a complex portrait of a profession that frequently is maligned but whose role is of increasing importance to the legislative process and today "represents every conceivable interest and is active at every level of government."

Indeed, the book, at least on one level, could serve as a textbook for those who want to get into the lobbying trade, and Rosenthal acknowledges that his approach is to "put the reader in the lobbyist's shoes. That way the reader can see the process from the lobbyist's perspective."

"Furthermore, the author's orientation is essentially positive toward, and understanding of, lobbyists and the lobbying process."

But if Rosenthal takes at face value the assertions of lobbyists, he organizes those assertions with great thoroughness. Listed here are all the strategies, techniques and even a few of the subversive plans used by third-house members to bend the legislative process to their will. The reader will meet lobbyists for government agencies, do-good consumer groups and the contract lobbyist — hired gun of the profession. These are the books strongest chapters.

Rosenthal devotes one chapter to how relationships develop between lobbyists and legislators, another to the specific strategies they use and still another to the role that campaign spending plays in lobbying. It is in this latter category that interviewing only lobbyists distorts reality. When lobbyists talk about contributions, they tend to complain about shakedowns by legislators; how they feel forced to come up with money if they want to compete in the legislative arena. No doubt this is true. The raising of money for campaigns or just for a legislator's "Friends of" committee has become expected, and the lobbyist who refuses to play is at a distinct disadvantage.

"It is hardly surprising, then, that more and more lobbyists get the feeling that they are being shaken down. Some think legislators and lobbyists are both to blame. More commonly, however, lobbyists feel victimized by a system that has gotten out of hand."

Rosenthal notes correctly that there is little hard evidence that campaign contributions buy votes. But that's not the same thing as the ability of contributions to change outcomes. Those within the system tend to downplay the effects of contributions, and the lobbyists in Rosenthal's book certainly do. But to many outside the system, the effects of the contribution system seem all too obvious. For them, it's hard to be too concerned about the complaints of lobbyists. After all, they can afford to be players in the game. Most of us cannot.

But if the reader should approach some of the lobbyists' statements with skepticism, he or she should admire Rosenthal's thoroughness and clarity. It is a much needed study of the lobbying process at the state level. As the book's author concludes:

"Lobbyists are an integral part of all this. Just as few people would think of appealing to the courts without the benefit of counsel, few people would consider dealing with government without the benefit of a lobbyist. Lobbyists have access and influence that the average citizen lacks because they are experienced, expert, and work full-time at the job. They naturally help the clients and causes they represent. That is what they are paid to do. But they also contribute — albeit imperfectly — to the legislative process in the state and to the pluralistic interest-group system that prevails in the nation."

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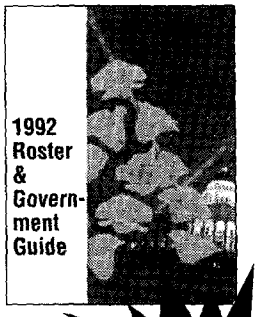

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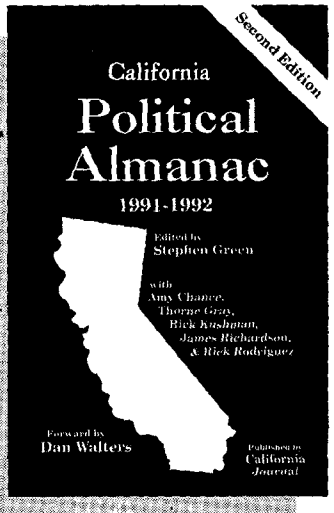

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Earthquake Insurance: a shaky foundation

By Daniel C. Carson

Illustration by Darrell Toland

It is April 1994, two months before California's next gubernatorial primary, when a low rumble emanates from the treacherous Hayward Fault. Within the next minute and a half, a 7.5 Richter-scale temblor destroys or makes uninhabitable 57,000 San Francisco Bay Area homes.

Damage claims begin pouring into the toll-free emergency line set up by the state Department of Insurance from shook-up homeowners. It is soon apparent that the state's earthquake insurance program cannot begin to pick up the $3 billion-plus tab for the damage resulting from the long-dreaded "Big One."

Insurance Commissioner John Garamendi interrupts his campaign swing for governor to telephone incumbent Governor Pete Wilson and legislative leaders with a grim dilemma: Anger voters by enacting an emergency tax hike to pay off the claims in full, or enrage quake victims by paying them 10 cents on the dollar on their claims.

Daniel C. Carson is Capitol correspondent for the Oakland Tribune.

That nightmare scenario of a state on the fiscal fault line is what has propelled efforts by Garamendi to repeal California's brand-new earthquake insurance program. Fears that the program could entrap California taxpayers to make good on promises of coverage it cannot possibly deliver even persuaded a reluctant Wilson to announce on March 25th that he would go along with the program's abolition. Early on, the bill sponsored by Garamendi to repeal the insurance system (AB 2049 by Assembly Democrat Phillip Isenberg of Sacramento) appeared well on its way to swift and bi-partisan enactment.

But that was before the intervention of that consummate lobbyist, Mother Nature. A flurry of quakes in Humboldt County and in the Mojave Desert in mid- to late April was strong enough to trigger a wave of 2000 claims totaling about $10 million on the state insurance fund — and to rattle lawmakers otherwise inclined to do away with the program. Just when the bill appeared to be regaining momentum, back-to-back quakes in the Yucca Valley and near Big Bear set off another wave of costly earthquake insurance claims and again slowed movement of AB 2049.

Despite the bill's strong endorsement by the Senate Insurance Committee, AB 2049 has stalled out four separate times on the Senate floor. But a major struggle clearly lies ahead for the measure even if, as supporters of repeal predict, it ultimately clears the Senate and returns to the Assembly for further hearings and showdown votes.

One tell-tale sign of the trouble ahead for advocates of repeal: Assemblyman Dan Hauser, a Democrat from Arcata and chairman of the Assembly committee that deals with disaster preparedness issues, had been a co-author of AB 2049. After his district was struck by an April 25th quake, a circumspect Hauser had his name removed from the bill. And Democratic Assemblywoman Sally Tanner of El Monte is already an outspoken opponent of the bill. She became a die-hard believer in the program after the Humboldt County quake seriously damaged her intended retirement home.

Whatever the fate of the Isenberg bill, the earthquake insurance program has already become an administrative,

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fiscal and political disaster unto itself — one that may well give pause to state officials as they next contemplate getting the state into the business of providing health insurance.

California's earthquake insurance program, the first established by any state, was spawned in the rubble of the devastating 1989 Loma Prieta disaster. Fewer than one in four Californians, it soon became evident, were carrying expensive quake coverage as a rider on their regular homeowners' policies. Many of those who had quake policies found them of little value after Loma Prieta because of the huge deductibles — often 10 percent of the value of the insured property. The average claim, caused perhaps by a chimney falling through a roof, was less than the deductible.

As one of the handful of major new spending initiatives ever proposed by former Governor George Deukmejian, the earthquake insurance program quickly gained the support of consumer groups, insurers and lawmakers from quake-prone areas, albeit with what turned out to be some significant modifications.

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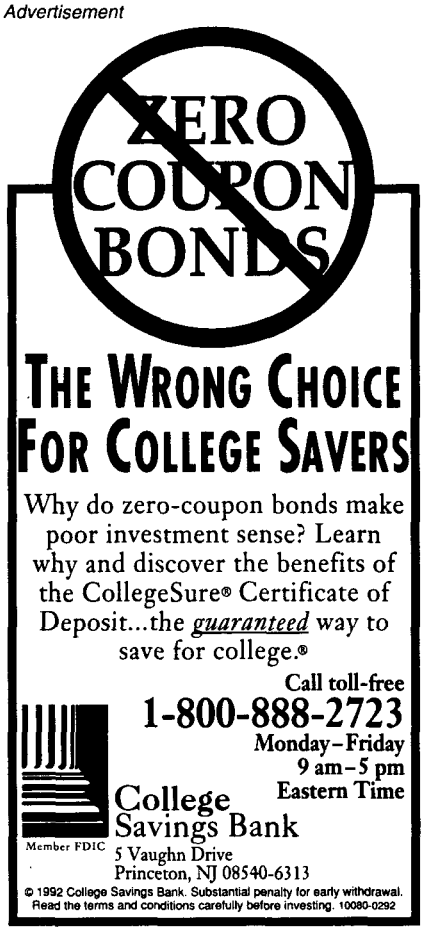
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The term "insurance" is technically a popular misnomer for what is officially dubbed the California Residential Earthquake Recovery Program. It is supposed to work like this: Insurers collect state surcharges ranging from $12 to $60 per year at the same time they send out their annual bills for homeowners' insurance. The amount of the surcharge is highest in the most quake-prone zones in the state, such as Los Angeles and the Bay Area, and lowest in inland areas with relatively little seismic activity.

The money collected by insurers — roughly $300 million a year — is paid into a state disaster fund in the custody of the Department of Insurance. The department uses a little of that sum to pay its administrative costs and to purchase insurance from private carriers (known as re-insurance) to help the state cope with the costs of a massive future quake. But most of the fund is supposed to be left alone, accumulating year after year into a multi-billion-dollar pot until "The Big One" strikes.

A quake victim is eligible to claim reimbursement of up to a $15,000 loss on his property, subject to a $1000 to $3500 deductible. Any additional losses would be paid by the homeowner's private earthquake insurance.

All fine in theory. But things began to go amiss before the ink on the governor's signature of the bill was barely dry.

First, Legislative Counsel Bion Gregory ruled that the "mandatory" surcharges on homeowners were unenforceable. No penalty was provided for anyone who refused to pay a bill except that they could be denied coverage if they later became a quake victim, Gregory ruled.

Then Garamendi discovered that little of the extensive work necessary to set up the program had been accomplished by Roxani Gillespie in her final year as Department of Insurance commissioner. (Gillespie was an appointee of Governor Deukmejian; Garamendi is the first elected commissioner, his election having been set up by passage of Proposition 103 in 1988.) Sworn into office with just six months to go before the program was supposed to begin, and with no money to staff up, Garamendi had to rush through legislation postponing its start to January 1, 1992.

No in-depth actuarial study calculating the costs and revenues of providing earthquake coverage had been conducted before lawmakers and Deukmejian determined the fees and benefits paid under the program. A study hurriedly conducted after-the-fact by RMS Management Software of Mountain View turned up the unsettling news that, over the next two decades, payouts from the earthquake recovery fund would probably exceed surcharge revenue by $3.87 billion. Department of Insurance regulations spelling out how insurers should collect and turn over surcharge payments from about six million homeowners created another major uproar and sent everyone running to their lawyers.

Insurers and homeowners associations were presented with the complicated task of sorting out which condominium units were occupied by homeowners who would be subject to surcharges and which by renters immune from the fee. Mortgage bankers were left uncertain whether they could pay the surcharges out of impound accounts. Insurance agents griped that they could be sued for giving advice to clients about paying the surcharge.

Insurance companies fretted over a long list of information, such as property tax identification numbers that they were ordered to submit to the department along with each surcharge payment. An Allstate Insurance lawyer complained that the regulations issued "contain ambiguities and contradictions that make compliance virtually impossible." Citing department fumbling as justification, several of the state's largest property insurers did not begin billing any homeowners with the state surcharges for months after the January 1, 1992, start of the program.

Other backup measures intended to protect the fiscal integrity of the earthquake fund came apart at the seams.

For example, the original bill establishing the program authorized the insurance department to sell bonds providing a pool of funds that could be tapped after a seismic disaster.

The state treasurer's office determined after a study that such bonds would be too costly.

Another mechanism that was supposed to protect the state against a catastrophic pay-out was re-insurance, the purchase of coverage from worldwide insurance pools. But the $144 million worth of coverage obtained by

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Garamendi (against the advice of a Department of Insurance advisory committee, by the way) proved to be so skimpy and its costs so high ($31 million a year) that Finance Director Tom Hayes forced Garamendi to cancel the state policy. That left a little-noticed clause in the original bill as the only remaining protection for the state treasury in case of a major quake. If insufficient funds are available to pay for all losses, the law provides, each homeowner would be compensated for his or her claim on a *pro rata* basis.

Garamendi and Assemblyman Isenberg contend that the so-called *pro rata* clause is a trap and the state will be forced to raise taxes to make good on claims. Emotional appeals from quake victims who paid their surcharges will be impossible to resist, they say.

But the administration has chastised Garamendi's assertion that the program is insolvent and poses a risk to the taxpayers. "Your assertions that the program somehow offsets a general fund liability have been misleading to the public and perhaps created the false expectations that you indicate the public has regarding the program and its benefits," stated Hayes in a March 3rd letter to the commissioner.

Garamendi voted for the earthquake insurance program as a state senator. But he began to voice misgivings about its feasibility as a candidate to become the state's first elected insurance commissioner. Those doubts were raised again after his inauguration, but his efforts to overhaul the program before it started got nowhere.

The commissioner sponsored legislation allowing him to bump up the surcharges or lower coverage limits to ensure the fund would remain solvent. It failed in the final days of the 1991 legislative session. So did clean up legislation to put teeth into the surcharge collection law. Accordingly, the Office of Administrative Law (OAL) struck down as unauthorized by law the department's regulations to force surcharge payments.

A flurry of letters issued over the past year by administration officials and the commissioner's office suggests that partisan politics — and the strong prospect of a Garamendi challenge to the incumbent governor in 1994 — have hampered cooperative efforts to solve the program's problems.

The letters show that it was Wilson who, while under fire for signing off on $8 billion in new taxes and fees, blocked efforts to increase the earthquake coverage surcharge. A proposed maximum charge of $119 "is simply too great," stated then-Consumer Services Agency Secretary Bonnie Guiton. "It would undermine the entire program and the governor cannot support the increase."

The administration also resisted Garamendi's efforts to obtain extra funding to set up the insurance system. Hayes later accused the commissioner of making "inappropriate and illegal" expenditures in excess of the money allotted him in the state budget.

The rhetoric escalated another notch after Garamendi began crusading for the Isenberg repeal bill. Wilson issued a March 25th letter agreeing to repeal, but not before making a point of deriding Garamendi. "The ... program may have been flawed; however, it stood a good chance of succeeding had its implementation not been destroyed through deliberate mismanagement by the Depart-

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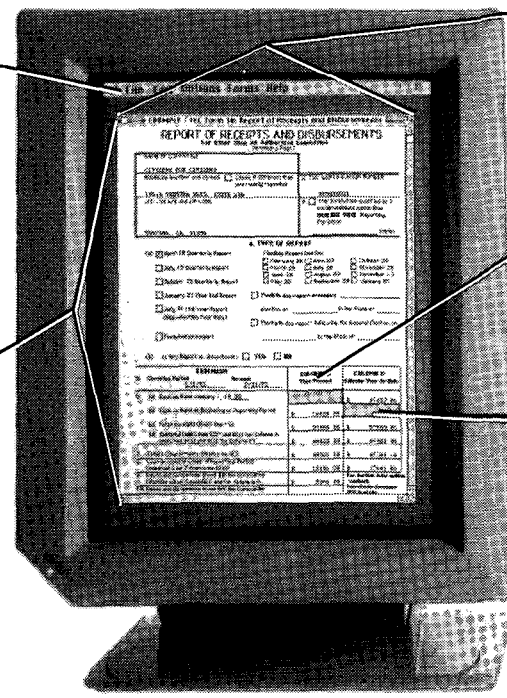
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ment of Insurance," wrote Wilson.

Garamendi has denied the charges of mismanagement and fired his own verbal broadsides at the administration and lawmakers who were resisting repeal efforts. In testimony last March before the Senate Insurance Committee, the commissioner blamed the administration for tying up regulations to collect homeowner surcharges and frustrating his requests for operational staff. "This program would have operated more smoothly if there would have been timely policy changes and budgetary support for this program by the Legislature and the administration," the commissioner told lawmakers.

Relations between Garamendi and Wilson have deteriorated to the point that the commissioner successfully persuaded his old colleagues in the Senate to refuse confirmation to new Office of Administrative Law chief Marz Garcia, citing Garcia's decisions he said slowed auto-insurance reform.

While the debate rages over repeal of the earthquake insurance program, the costs and complications of keeping it in operation have continued to mount. Critics say Garamendi's well-publicized attacks on the program are causing droves of homeowners to balk at paying the surcharges and prompting insurers to go slow on collecting them. Legislative budget writers voted to seize 18 percent of the earthquake trust fund (along with other special trust funds) to help balance the state budget.

That increases the odds that the so-called "shaky day" fund will someday come up short.

At Wilson's insistence, the repeal bill requires that all surcharges be refunded to the homeowners who paid them. But the measure leaves unanswered exactly who will pay the tab for all expenditures from the earthquake fund that have occurred in the meantime.

In an apparent bid to hold down those costs, Garamendi last April issued a stop-work order to Computer Sciences Corporation, the firm awarded a five-year contract to process surcharge payments and quake victim claims. CSC responded with an all-out lobbying effort to block the repealer bill

That lobbying campaign appears to be working. CSC lobbyists were credited in June with frustrating the two-thirds vote needed to pass AB 2049 from the Senate floor. As a result, the bill was amended to a form requiring only a majority vote. But that means the program will stay in existence at least until January 1, 1993, instead of being obliterated immediately.

CSC says it is willing to let repeal proceed — as long as AB 2049 is amended to guarantee the firm payment of $24 million or so in costs it says it will incur before it closes its doors. Repeal advocates harshly criticized that as a form of blackmail, but the company may be in a position to dictate terms. It is a major donor to state campaigns (including Garamendi's) which last year made a point of wining and dining Assembly Speaker Willie Brown during a trip to Washington D.C. One of the company's first lobbying targets, perhaps not coincidentally, was the speaker's office.

CSC will surely not be heartbroken if the repeal bill ultimately fails. Under its contract, the company is guaranteed $66.3 million in fee payments through 1996.

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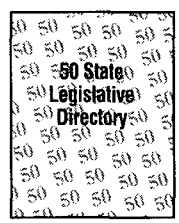

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The news niche

While newspapers retrench, the BNA builds a Capitol base

By Ray Sotero

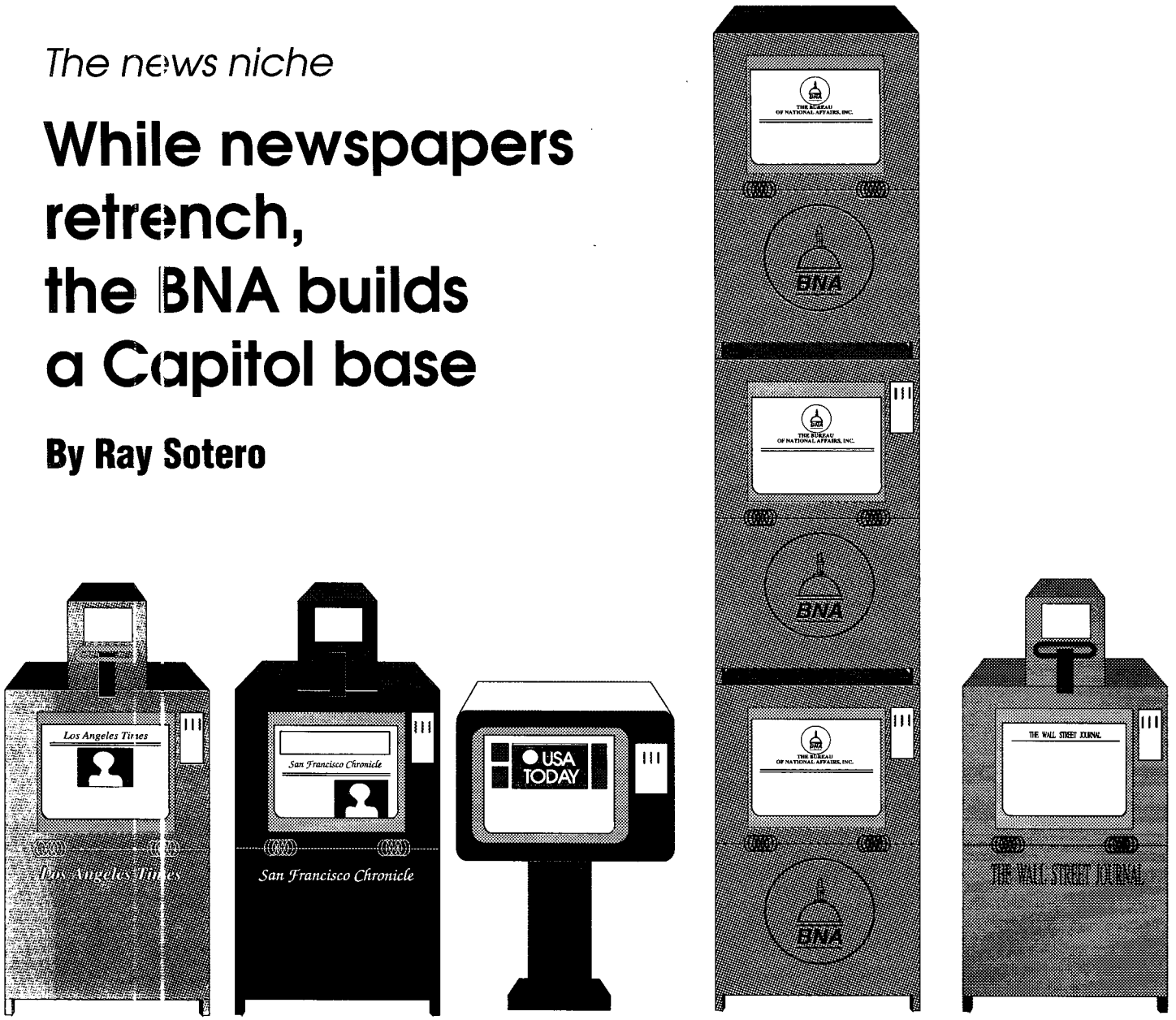

illustration by Scarlet Hong

When Glenn Totten placed an ad looking for an experienced journalist to help cover the California Legislature and government, he was overwhelmed with resumes from 140 reporters and editors.

"It was a few more than we expected," said Totten, managing editor of the Sacramento office of the Bureau of National Affairs (BNA), a bureaucratic-sounding but privately owned nationwide information services firm.

As the Capitol press corps in Sacramento continues to shrink, Totten's little-known but highly regarded journalistic enterprise is planning a massive expansion of its coverage of lawmaking policies and state government, if not politics. Based in Washington, D.C., the BNA at the national level offers about 40 different subscription-only newsletters, policy reviews and regulatory updates.

About two years ago, convinced that many national policy trends begin in California, (and, coincidentally, shortly after the last out-of-town television station closed its Sacramento bureau), the BNA opened its first office outside of Washington. Headed by Totten, BNA's Sacramento operation today offers two twice-monthly newsletters, one on the environment, the other on employment law. The first has a hefty yearly subscription rate of $495; the second costs $426.

More significant, and perhaps surprising in view of BNA's policy to eschew advertising, are its plans to expand its Sacramento reporting staff from the current five reporters and editors to as many 20 by the mid-1990s. The goal is to offer two new newsletters a year for the next several years. In Totten's view, the reason for the growth is clear: There is a booming market for subscription-only newsletters that expertly cover a single subject thoroughly, and that demand simply can't be met by the mainstream, general-interest press.

Paid subscriptions have climbed to what Totten said is

Ray Sotero formerly worked for the Fresno, Modesto *and* Sacramento Bees *in their Capitol bureau. In 1990 he joined the Capitol bureau of Gannett News Service.*

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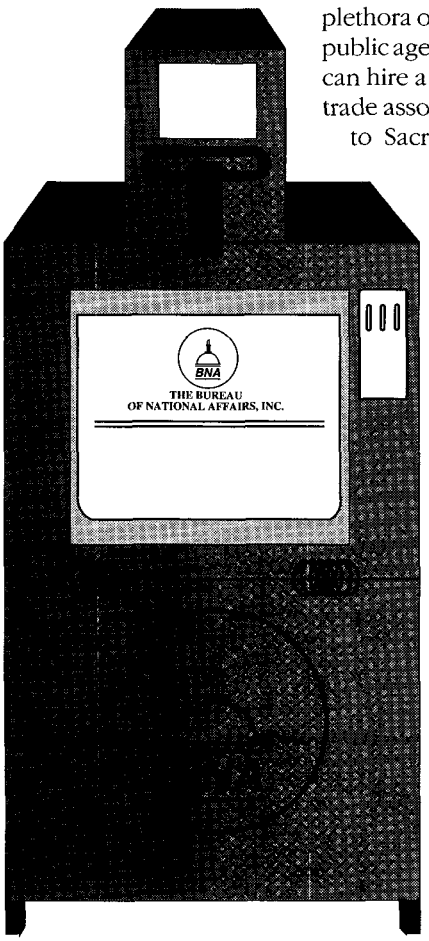
a solid combined circulation of about 1500, and he claims his renewal rate is an impressive 85 percent. But the fact BNA has established a toehold in Sacramento while many newspapers are either cutting back their Sacramento coverage or narrowing its scope, amid an election year of historic proportions, underscores several trends:

• Complexity: State regulations and policies are changing fast and often deal with subjects as vast and as complex as air quality, labor law, workers compensation, environmental protection and tax management, among others. Trying to stay abreast of these changes, and to avoid costly mistakes and lengthy lawsuits, are a plethora of lawyers, businesses and public agencies. Those seeking help can hire a lobbyist or lawyer, join a trade association, or send someone to Sacramento to track legislation and attend committee hearings from dawn to dusk. Or, they could subscribe to a specialized newsletter that attempts to keep its readers current on what's happening in Sacramento on a single topic. Some interested parties can afford to cover all those bases. Of those options, a newsletter is clearly the least expensive.



• A changing press: It's no secret that interest among the general population in Sacramento politics, policies and government is declining. Jaded by tales of corruption and incompetence, readers are complaining to editors about what they say are too many irrelevant stories. Those editors, overworked and running increasingly understaffed newsrooms, are putting their resources toward local news at the expense of Sacramento coverage and of some statewide issues. Within the last year, several Sacramento bureaus — including Gannett News Service, the *Los Angeles Daily News*, the *Orange County Register* and the *Los Angeles Times* — have either cut back their Sacramento bureaus or left vacancies unfilled.

• Impartiality: As California's recession-driven economy takes its toll on newpaper ad revenue, recent stories have looked into how some advertisers successfully pressured editors and reporters to either keep negative stories out of print or to write in such a way as to minimize damage. Some newspapers, rightly or wrongly, also become labeled as liberal or conservative, with that perception often tainting the impact of their coverage. Like BNA, few newsletters accept advertisements and are thus seen as more impartial.

Finally, newspapers are struggling to hold readers and capture new ones, and blow-by-blow accounts of, say, what's happening with the 80 bills on workers compensation winding through the Legislature this year might prompt many readers to fast foward to the sports or entertainment sections. While important to businesses and potentially far reaching, such stories take commitment because they can fill pages of newshole.

BNA has told its reporters to keep away from advancing causes, whether environmental or political. To keep step-by-step coverage to a minimum, yet provide on-going coverage so its readers are not caught off guard, BNA California focuses on what has occurred or threatens to occur that would effect the legal and environmental worlds.

If there's a criticism of BNA's philosophy, it's how its coverage largely ignores partisan political battles.

"There's probably a risk to that," Totten said. "My feeling is there's a political veneer that tends to obscure the issues more than illuminate them. To the extent that we can strip away that political veneer and get to the real underlying issues, then I think we're doing our job."

That doesn't necessarily mean ignoring politics. When Governor Pete Wilson last summer vetoed a controversial gay-rights bills, BNA's employment law newsletter, called the *Employee Relations Report*, devoted substatial coverage to its progress, possible impact, likelihood of passage and veto. It explained how supporters vowed to return, and gave readers the first hint of Assembly Speaker Willie Brown's omnibus civil rights bill.

Workers compensation is another subject receiving regular BNA coverage, without the veneer. Lawyers, human resources directors, employee managers and other subscribers want more details of the proposals so they can estimate any impact and try to tailor legislation through testimony before a bill progresses.

At the same time, the issue of workers compensation, a much-maligned $11 billion state disability insurance program, is a perfect example of much political chest-beating with little real progress. The BNA answer is to make a judgment about the most likely bills to write about, keep tabs on the rest and ignore the daily parade of committee witnesses.

"There's a tremendous amount of noise, and there's a lot of finger-pointing going on about real problems," Totten said. "Very seldom does all that get below the superficial level."

BNA readers, and those of any special-interest newsletter, want an answer to the basic question: "What does it mean to me?"

For instance, newspaper readers may remember learning that voter passage of Proposition 65 promised a sweeping initiative to control toxic waste. But county government workers learned more of the initiative's day-to-day impact from BNA's *California Environment Reporter*, such as the number of discarded paint cans that may be stored at what kind of site and what level of liability insurance storage sites must meet.

Editors of similar newsletters give mixed reviews of the strength of their market, especially during a recession. But all of those interviewed agreed the demand is growing. Bill Fulton of Ventura, a former reporter who since 1986 has

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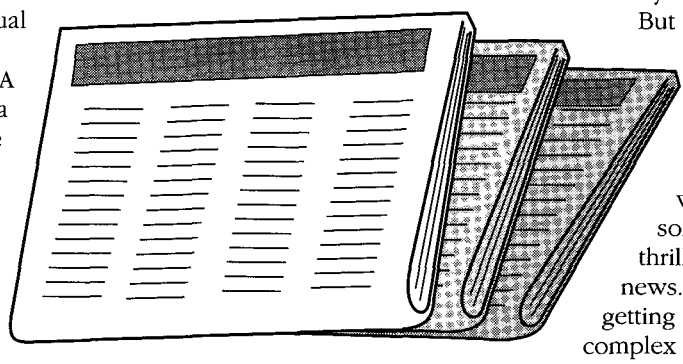
published a newsletter on planning and development, has a core of 600 subscribers who each pay nearly $200 annually.

"What you find is the hunger for specialized business news is almost insatiable," Fulton said. "My lawyers know if they can find one tiny tidbit a year that can help, that more than pays for the annual price of my newsletter."

A lawyer who subscribes to BNA agrees. Stephen Drapkin, a partner in a Los Angeles law firm that is one of the state's leading employment law attorneys, said BNA provides crucial coverage. "It gives very detailed information on an extremely current basis," Drapkin said.



Steve Grippi is an assistant district attorney for Sacramento County in charge of prosecuting those who break environmental laws. The two daily newspapers in Sacramento don't come close to telling Grippi what he needs to know about changing environmental law. Nor does he expect them to.

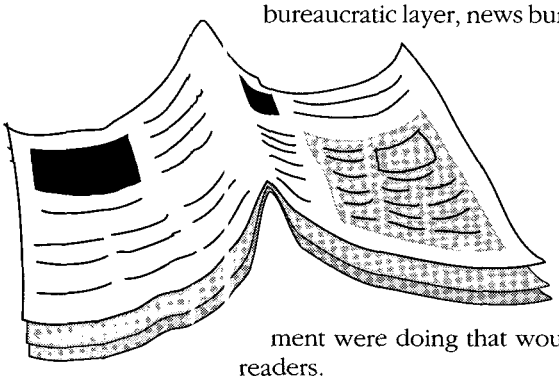
"Laws change dramatically year to year. I know I sound like a salesman," Grippi said, "but [BNA] lets me know about the changes. It's helpful; it's always on point. It's not cheap, but it's worth it."

Political Pulse is a twice-monthly newsletter on politics and government put out by Bud Lembke and now in its seventh year of publication. Circulation has remained around 600, strong enough to spur Lembke to launch a sister version on education issues. Publication began nearly two years ago, and while paid circulation is lower than expected, he blames much of that on the economy.

"You have to pick your field," Lembke said. "There seems to be a lot of newsletters springing up."

Indeed, among new or expected newsletters are ones on initiatives, workers compensation and regulations affecting small businesses. *California Journal* itself publishes several newsletters. Most newsletters offer direct-mail services, but it's only a matter of time before readers will be able to choose from a selection of newsletters via office or home computers.

It wasn't always such a growth market. Before initiatives and federal requirements added to the bureaucratic layer, news bureaus in Sacramento generally began as a way for communities outside the Capitol to keep track of what the Legislature and government were doing that would affect local readers.



From independent, one, or two-person bureaus that might write stories for a number of smaller papers or radio stations, to the dozen-member bureaus of the *Los Angeles Times* and McClatchy Newspapers' three *Bees*, Sacramento bureaus regularly provided key state or local coverage on many issues that might otherwise go unreported.

The heyday of Sacramento bureaus was during the administrations of Governors Ronald Reagan and Jerry Brown. Both men were flamboyant, often "making news" that screamed for massive coverage, which demanded huge doses of money.

But writing for a newsletter can be anything but flamboyant and isn't for everybody. Joyce Cutler, a former wire reporter who writes for BNA, sometimes misses the thrill of covering breaking news. But she now enjoys getting to be an expert on complex issues that actually affect public policy. On the other hand, Jan Greene, a former BNA reporter who now writes for the San Luis Obispo County *Telegram-Tribune*, said she gained valuable insider knowledge while covering the environment for the firm's Washington office. But today she is happier writing for a general readership.

"Sometimes it [BNA] is very techincal and very dry," Greene said. "It's not a place where you use a lot of adjectives. Something BNA does well ... is showing how government works."

The trends seem clear: Any expanded coverage of what elected and government officials do in Sacramento will likely be in the form of a subscription-only newsletter.

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WASHINGTON PERSPECTIVE

By LARRY LIEBERT

Presidential politics

When President Jimmy Carter ran for re-election in 1980, his California campaign manager, Mickey Kantor, persuaded reporters to trust his assurances that Carter would run an aggressive and costly drive to take on Republican Ronald Reagan in his home state.

REAGAN'S HANDLERS WERE WORRIED ENOUGH to spend precious resources in the state, but Kantor's promised Carter blitz never materialized. Political analysts say it was a masterly, if disingenuous, fakeout by Kantor. The LA lawyer insists to this day that Carter's strategy simply changed as his prospects of winning California faded.

This year, Kantor is running the national campaign of Bill Clinton, a presidential candidate whose hopes really do seem pinned in large part on success in the Golden State. "You'll be sick of me," the Arkansas governor told a local TV interviewer during a California swing in late July. "I'll be out here a lot."

This time, in something of a turnaround, Kantor will have the task of figuring out whether his candidate's opponent, President George Bush, is serious about competing in California.

The issue arose during the summer, when the Field Poll found that Clinton — propelled by his successful party convention in New York and attracting alienated voters who had been left stranded when Ross Perot decided not to run — held an astonishing 34-point lead in California over Bush, who had yet to star at his party's convention in Houston.

Here's how the Field Poll summed up the 62-28 percent Clinton lead, the largest for any presidential nominee since the survey began measuring such sentiment in 1948:

"The previous largest lead between the major party presidential candidates was held by Democrat Lyndon Johnson in the summer of 1964 when he was 30 percentage points ahead of Republican Barry Goldwater. Johnson went on to win California by an 18-point margin. In July 1980, Republican Ronald Reagan was leading Jimmy Carter by a 29-point margin. While Reagan lost some of that big preference bulge in later months, Californians favored him on Election Day by a comfortable 17 points. The largest lead ever held by an eventual presidential loser in a pre-election Field Poll occurred in 1988. In July of that year, Democrat Michael Dukakis was 16 percentage points ahead of Bush immediately after the Democratic convention."

Despite pollster Merv Field's grim soundings, Bush persevered with energetic campaigning in the state, and his spokesmen scoffed at the reliability of such early polls. But not everybody in the Bush campaign was able to maintain the same poker face that Kantor had once shown in discussing Carter's California prospects. One Bush adviser told the Washington Post, "California is gone. We better be working on electoral plan number two."

One mid-summer consolation for Bush was that he could imagine ways to win without California. In recent presidential elections, Republicans have been so strong — especially in the Deep South and through most of the West — that California, with its unrivaled Electoral College votes, was just the icing on the cake. The GOP has enjoyed a seemingly unassailable dominance of key states that some pundits called an "electoral lock."

But for Democrats, there have been few imaginable scenarios for victory that did not include megastate California. That's why Clinton's huge early lead in the Field Poll was at least as invigorating to Democratic hopes as his lesser lead in nationwide polls.

The Democrats were doubtless as amazed as anyone to find their candidate leading polls in Orange County, that legendary bastion of California conservatism. Bush's trouble there was underscored when the radically libertarian Orange County Register editorialized that the president should abandon his re-election bid.

Bush's problems in California were no great mystery. In personal terms, he had never developed a rapport with the state's voters. Nor had he invested that much time in the effort, having long let Reagan carry the weight of fundraising and campaigning in the state.

Equally obvious, the state has been hurting badly, its economy devastated, its state treasury bankrupt, its people stunned by riots and earthquakes and its legendary optimism shattered. This is not an easy year for an incumbent president to ask California voters to be patient and "trust me" with another four years to work things out.

In that climate, Bush fell back on familiar Republican themes, most of them amounting to the idea that things would be even worse if the "tax-and-spend" Democrats got control of the White House. Demanding an end to welfare dependency, Bush endorsed embattled Governor Pete Wilson's ballot drive to crack down on benefits. "Pete Wilson is fighting hard against an entrenched bureaucracy there in Sacramento to end the practice of welfare shopping, to reward work, not welfare," Bush told an audience in Riverside.

AND HE WARNED DEFENSE WORKERS IN Orange County that the job losses they are already facing because of the Cold War's end would be nothing compared to the one million jobs he said would be lost under deeper Democratic defense cutbacks. Even as Bush complained that the defense budget shouldn't be "a piggy-bank for folks who want to get busy beating swords into pork barrels," he warned, in true porkbarrel fashion, that "frontline firms around California" would be pinched first by deeper defense cuts.

But Clinton was not willing to roll over and play a punching bag for Bush as Dukakis had done four years earlier. Campaigning not in liberal San Francisco but conservative Ontario, Clinton vowed, "I'm a Democrat who believes in the line-item veto and believes in cutting out wasteful government spending. George Bush talks about how conservative he is. I've balanced 11 government budgets, and if you give me a chance, I'll cut the deficit a lot more than he will."

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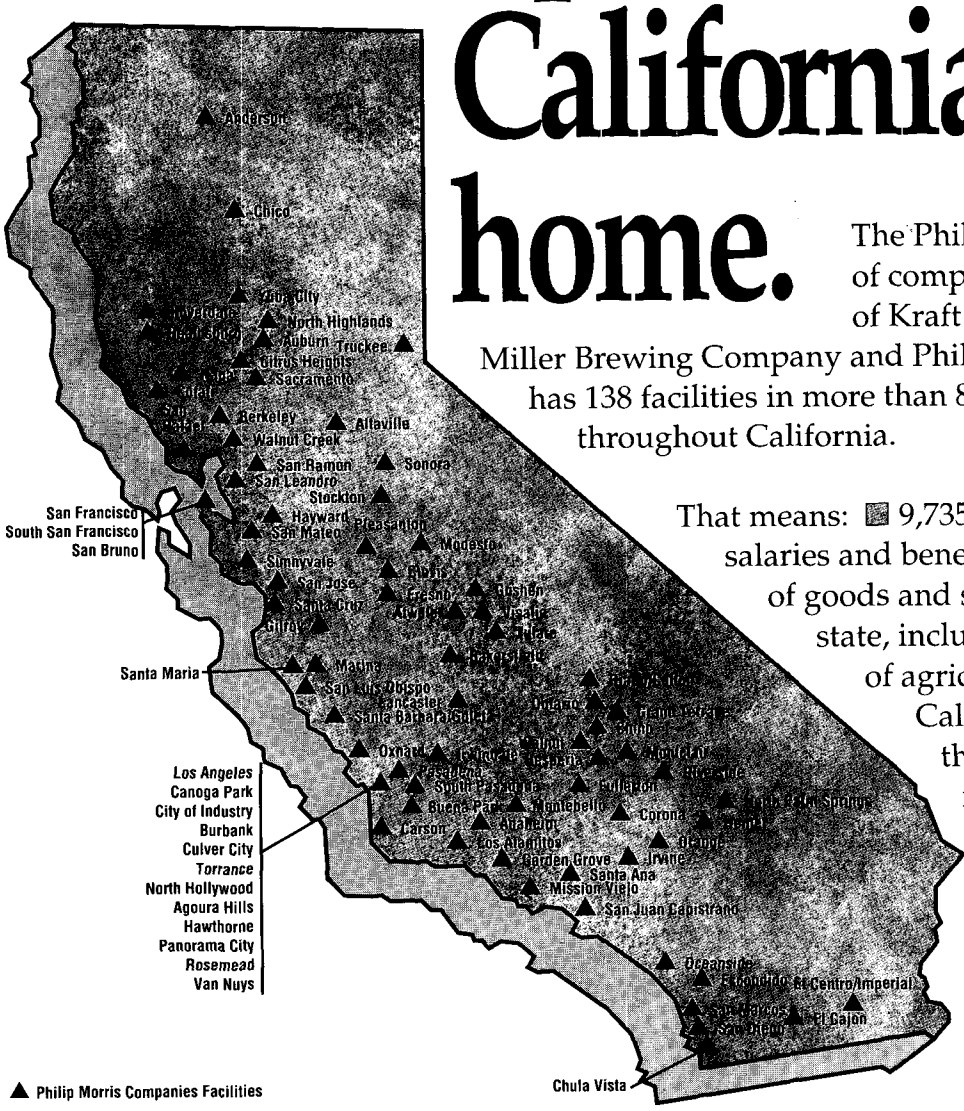

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